FINANCIAL TIMES

Europe's Business Newspaper — TUESDAY SEPTEMBER 14 1993 — D8523A

Du Pont to cut 4,500 US jobs to boost profitability

Du Pont, the leading US chemicals company, announced it was cutting 4,500 jobs in the US, many of them in its Nylon business. The cuts, which will take the number of people employed in the company's chemicals and specialties businesses in the US down to 61,500, will lead to an after-tax charge of $375m in the third quarter.

The company had previously made clear its intention to improve profitability in its core chemicals business, which has disappointed the market with its results so far this year.

Kohl stresses election themes: Chancellor Helmut Kohl spelt out law and order and economic security as the themes of his campaign for re-election as German chancellor next year. Page 18

Bank chief named: Jean-Claude Trichet, a supporter of a strong franc and tough anti-inflationary policies, was appointed governor of the Bank of France. Page 18; Troubleshooter, Page 3

Clinton may signal easing of ban: President Bill Clinton must today sign an order maintaining the US trade ban against Vietnam but congressional staffers believe he may offer a sign that the US will move towards relaxation. Page 6

Amcor, Australian packaging and paper manufacturer, is buying the paper manufacturing and distribution operations of resources group North Broken Hill Peko for A$415m (US$273m). Page 23

Hungarian fraud uncovered: Inquiries into Hungarian banks have found losses of $170m-$190m due to fraud, bribery and other offences, the chief prosecutor's office said. Page 18

Inchcape: Shares in the UK group fell 5 per cent after currency movements caused it to report interim results below market expectations. A currency gain of £16m, caused by sterling's devaluation, was more than outweighed by the strength of the yen. Page 19; Lex, Page 18

Gold price

$ per troy ounce in London

Source: Datastream

Gold market low: The gold market continued on its downward spiral, taking the London bullion market price to its lowest level since mid-April. Dealers attributed the $5.60 fall to $344.25 a troy ounce to technical pressure. They said the breach of a support level at $348 an ounce had unleashed a fresh wave of selling. Page 28

Viacom International, which made an $8.2bn agreed bid on Sunday for Paramount Communications, brushed aside speculation that the deal might flush out a rival bid for Paramount from companies associated with John Malone, one of the most powerful figures in the US cable television industry. Page 19; Lex, Page 18

Pledge on Emu: EC finance ministers vowed to press on with the Maastricht timetable for economic and monetary union. Page 2; Belgium and Portugal shave rates, Page 2

Madrid hope on inflation: The Spanish Government believes it is on target to meet its revised inflation forecast of 4.5 per cent for 1993 following figures for August which show that prices rose just 0.6 per cent. Page 3

South China Morning Post: Shares in the Hong Kong newspaper group fell 9 per cent following the announcement that its major new shareholder – Robert Kuok – would not be launching an outright takeover bid. Page 23

Mitsubishi Corporation, Japan's leading trading house, is to import foreign sheet glass in an attempt to break domestic manufacturers' domination of the market. Page 6

Blow to Babangida: A reshuffle at the head of Nigeria's armed forces has swept aside allies of former president Ibrahim Babangida as pressure builds on the interim government settle the dispute with Moshood Abiola, winner of the cancelled June elections. Page 5

Foster's Brewing, Australian brewing group with substantial operations in the UK and Canada, returned to the black with a A$310m (US$201m) profit after tax and abnormal items for the year ended June, compared with a A$950.8m loss in the previous year. Page 19

Raymond Burr: The American actor Raymond Burr, best known for his television roles as defence attorney Perry Mason, died of liver cancer at his California home late on Sunday, aged 76.

STOCK MARKET INDICES

FT-SE 100:	3024.8	(-12.2)
Yield	3.88	
FT-SE Eurotrack 100	1276.64	(+12.92)
FT-A All-Share	1506.43	(-0.3%)
Nikkei	21,148.11	(+330.13)
New York: lunchtime		
Dow Jones Ind Ave	3632.53	(+10.9)
S&P Composite	462.31	(+0.59)

US LUNCHTIME RATES

Federal Funds:	$3\frac{1}{16}$%
3-mo Treas Bills: Yld	3.023%
Long Bond	$105\frac{1}{2}$
Yield	5.851%

LONDON MONEY

3-mo Interbank	$5\frac{13}{32}$%	(same)
Liffe long gilt future:	Sep $114\frac{1}{32}$	(Sep $114\frac{5}{32}$)

NORTH SEA OIL (Argus)

Brent 15-day (Oct)	$15.735	(15.685)

Gold

New York Comex (Dec)	$344.8	(352.4)
London	$344.25	(349.85)

STERLING

New York lunchtime:		
$	1.544	
London:		
$	1.5425	(1.549)
DM	2.485	(2.475)
FFr	8.625	(8.69)
SFr	2.17	(2.16)
Y	164.0	(164.5)
£ Index	81.3	(same)

DOLLAR

New York lunchtime:		
DM	1.6115	
FFr	5.6185	
SFr	1.4065	
Y	105.9	
London:		
DM	1.611	(1.598)
FFr	5.61	(5.61)
SFr	1.4075	(1.3945)
Y	106.25	(106.25)
$ Index	64.4	(64.3)

Tokyo close Y 105.63

Austria	Sch30	Germany	DM3.30	Malta	Lm0.60	S.Arabia	SR11
Bahrain	Din1.250	Greece	Dr300	Morocco	MDh13	Singapore	S$4.10
Belgium	BFr65	Hungary	Ft185	Neth	Fl 3.75	Slovak Rp	KSL45
Bulgaria	Lv25.00	Iceland	IKr215	Nigeria	Naira45	Slovenia	SLT220
Croatia	HRD5700	India	Rs40	Norway	NKr16.00	South Africa	R12.00
Cyprus	C£1.00	Israel	Shk5.90	Oman	OR1.50	Spain	Pta210
Czech Rp	CZK45	Italy	L2700	Pakistan	Rs35	Sweden	SKr13
Denmark	DKr15	Jordan	JD1.50	Philippines	Pso45	Switz	SFr3.20
Egypt	E£4.50	Kuwait	Fils.600	Poland	Zl 22,000	Syria	S£50.00
Finland	FM12	Lebanon	US$1.25	Portugal	Es215	Tunisia	Din1.250
France	FFr9.00	Lux	LFr65	Qatar	QR12.00	Turkey	L8000
						UAE	Dh11.00

Mideast peace breakthrough sealed by historic handshake

By Mark Nicholson in Washington

MR Yitzhak Rabin and Mr Yassir Arafat yesterday sealed with a symbolic handshake on the lawns of the White House the greatest breakthrough in the Middle East conflict for 14 years, and pledged a new era of peace.

Yesterday's momentous occasion is expected to be followed today with a declaration by Jordan and Israel on the framework for peace talks.

The agenda provides for the first Israeli recognition of Jordanian claims to land held by Israel.

Similar agreements between Israel, Lebanon and Syria are also under negotiation but are some way from conclusion, although all the parties at yesterday's signing are united in an effort to sustain the momentum towards a full settlement.

The Israeli prime minister and the leader of the Palestine Liberation Organisation, who had been adversaries for decades but met yesterday for the first time, had watched in brilliant morning sunshine as Mr Shimon Peres, Israel's foreign minister, and Mr Mahmoud Abbas, the PLO executive committee member, signed a short text outlining an agreement on limited Palestinian self-rule.

Both men signed two sets of documents, laid on the 124-year-old table on which Israel completed its first peace deal with a neighbour, Egypt, in 1979. The presidential author of that deal, Mr Jimmy Carter, looked on smiling from the front row of dignitaries on the White House lawn.

"We who have fought against you, the Palestinians, we say to you in a loud and clear voice – enough of blood and tears. Enough! The time for peace has come," Mr Rabin declared, to applause after the signing, in a sombre speech that evoked the suffering of Jews throughout the Holocaust and over the decades of conflict with the Palestinians.

Mr Arafat, wearing a khaki military uniform and keffiyeh headdress, replied, speaking in Arabic: "My people are hoping that this agreement which we are signing today marks the beginning of the end of a chapter of pain and suffering which has lasted throughout this century."

He hoped the outline agreement would "usher in an age of peace, co-existence and human rights".

After the signings, Mr Clinton shook the hands of both leaders. A smiling Mr Arafat then offered his hand to Mr Rabin, who accepted it, grave-faced, to a cheer from the previously hushed audience of 3,000 guests. The Israeli prime minister had said he would shake hands with his former foe only "if necessary".

The rows of seated guests, some of whom had queued to enter the White House from 7am in the morning for the 11am ceremony, included the entire US congress, former US presidents Mr Jimmy Carter and Mr George Bush, and diplomats, lobbyists and former foreign ministers who, in the words of Mr Warren Christopher, US secretary of state, "had toiled for decades in the search for peace in the Middle East".

Hundreds of yards away, beyond the White House garden railings, big crowds of Jewish protesters, almost all wearing wide-brimmed black hats, demonstrated throughout the ceremony bearing posters saying "Israel is in danger" and "Rabin resign". A tiny clutch of Arab opponents to the deal gathered a block away from the White House.

But little troubled the low-key but intensive security ring around the ceremony – the biggest open gathering of notables in Washington since President Clinton's inauguration.

Police sharp-shooters patrolled the White House roof before

Continued on Page 18
Details, Page 4

Reuters

Bill Clinton watches Israeli prime minister Yitzhak Rabin (left) and PLO chairman Yassir Arafat shake hands after the historic signing

Palestinians dance in streets of Jericho

By Julian Ozanne in Jerusalem

JOYOUS Palestinians hung out flags, honked car horns and danced in the streets of the Israeli-occupied territories yesterday.

The celebration of what they said was their "first day of independence" on their long march to statehood was marred only by isolated incidents of tyre-burning by opponents of the treaty and clashes in Lebanon in which five demonstrators died.

Guerrilla songs and the Palestinian national anthem were sung in the crowded town square in Jericho which burst into uproar when Mr Yitzhak Rabin, Israel's prime minister, and Mr Yassir Arafat, Palestine Liberation Organisation chairman, were shown on television shaking hands in Washington.

Children in the Gaza Strip handed out balloons in the red, green, white and black colours of the Palestinian standard and more than 50,000 people poured into the rubbish-strewn streets of Gaza banging drums, laughing and talking to Israeli soldiers they have stoned constantly for nearly six years.

Thousands of flags, still technically banned by Israel, emerged from under mattresses and cupboards to be hung from roofs, bonnets of cars and bicycles. Posters of Mr Arafat emerged across the West Bank and Gaza, including one depicting him being plucked by a celestial eagle from an air crash in the Libyan desert two years ago when others aboard were killed.

Police and soldiers kept a low profile and there was only one report of minor violence between Palestinians for and against the agreement. But in Gaza, Palestinians and Islamic fundamentalists who reject the peace accord mounted a general strike until mid-afternoon and set ablaze tyres on the roads. They later draped black banners of mourning from their homes and mosques.

The celebrations were also marred in by clashes in Beirut where Lebanese troops shot dead five pro-Iranian militants and Palestinian refugees demonstrating against the peace agreement. A further 33 people were wounded when soldiers opened fire on demonstrators, in Beirut's southern suburbs, who defied a government ban on marches and chanted "The army of (Prophet) Mohammed is coming back. Watch out you Jews."

In Israel, where the public

Continued on Page 18

Labour set to retain power in Norway despite EC stance

By Hugh Carnegy and Karen Fossli in Oslo

NORWAY'S Labour Party was set last night to return to power after sharply increasing its share of the vote in yesterday's general election, according to an exit poll on national television.

The exit poll showed a clear victory for Mrs Gro Harlem Brundtland, the prime minister, who carried the election despite Labour's commitment to Norwegian membership of the European Community, which most Norwegians oppose.

Labour was set to win 37.5 per cent of the vote, up 3.2 points, increasing its mandate in the 165-seat parliament by seven seats to 70.

The main opposition pro-EC Conservative party was shown sliding to 15.7 per cent of the vote, down by 6.5 points over the 1989 election and losing 11 of its 37 seats.

The biggest gains, according to the exit poll, were for the staunchly anti-EC Centre party, which was predicted to more than double its support to 15.3 per cent and increase its seats from 11 to 27, overtaking the Conservatives as the second largest party in the Storting.

If the election results are reflected in the final outcome, Mrs Brundtland will form another minority government, but in a much strengthened position on most issues except EC membership.

With opposition to Norwegian membership of the EC swollen to record levels, a senior Labour leader said the trend would stiffen Norway's already tough stance in accession negotiations with Brussels, particularly on the sensitive issues of fish and oil.

"We don't have to threaten, it is just a simple fact. If the EC is not willing to give us a fair solution (on fish and oil) then we won't win a referendum and we would simply have to give it up," said Mr Jens Stoltenberg, Labour's deputy leader.

The size of the task facing the government in its aim of achieving membership during the coming parliamentary term was illustrated by a poll in the newspaper Dagbladet. It showed opposition to accession standing at 58 per cent, compared with 54 per cent in the same poll last month.

Only 31 per cent of those polled were in favour of joining the EC, down from 35 per cent, with the remainder undecided.

Labour leaders said they believed they had persuaded many voters hostile to the EC to support them despite the conflict on membership.

During the campaign Mrs Brundtland insisted that the EC issue would be resolved in a referendum, not in yesterday's election.

Both the Socialist Left party and the agrarian Centre party are staunchly opposed to EC membership.

Texaco in $1.06bn chemicals disposal

By Paul Abrahams in London

TEXACO, the US oil group, yesterday sold most of its chemical operations for $1.06bn to a US-Australian joint venture company.

The business is being acquired by Huntsman Corporation, a 50-50 venture between Huntsman Financial, a subsidiary of Huntsman group, the US's biggest private chemicals company, and Consolidated Press Holdings, Mr Kerry Packer's Sydney-based media and investment group.

Huntsman Corporation will be managed by Mr Jon Huntsman, the chief executive and founder of Huntsman Financial, and his family.

Mr Huntsman said the deal showed his and Mr Packer's determination to expand their global chemical operations. Last year they jointly acquired the Chemplex petrochemical complexes in Melbourne, Australia.

Huntsman also announced it was acquiring the expandable polystyrene operations of Elf Atochem at Ribecourt in north-east France for an undisclosed sum. The plant has an annual capacity of about 75,000 tonnes, although it is operating at only 52,000 tonnes a year because of overcapacity in the European market. The business had a turnover last year of more than FFr400m ($70.2m).

In a separate deal, Elf Atochem announced it was acquiring the French low density polyethylene activities of Enichem, the troubled Italian group. The plant, attached to Elf Atochem's petrochemical facilities at Carling Saint-Avold in eastern France, has a capacity of 210,000 tonnes a year and a turnover of about FFr900m. Terms were not disclosed.

Texaco's chemicals operations generated a trading loss of $49m last year on turnover of $1.4bn. The business acquired by Huntsman Corporation employs more than 2,600 and includes six plants in the US, as well as facilities in Canada, Belgium, Brazil, Colombia and the UK.

The Huntsman-Texaco deal includes an option for Huntsman Corporation to acquire either half or all of Texaco's giant plant at Port Neches, Texas.

Huntsman doubles size, Page 20

CONTENTS

Fears as Serb rebels shell Croat town

By Gillian Tett in London and Frances Williams in Geneva

REBEL Serb forces in Croatia yesterday launched heavy artillery attacks on the Croat town of Karlovac, fuelling fears that fighting could escalate in the Serb-controlled Krajina region of Croatia.

The rocket and artillery attacks, 50km south west of the Croat capital, Zagreb, came as rebel Serb forces threatened to launch an all-out assault in response to a Croat offensive in Krajina last week.

UN officials in Zagreb yesterday confirmed that heavy artillery attacks were continuing by both sides across Krajina, leaving the area more tense than at any time since the ceasefire agreed by the rebel Serbs and Croat at the beginning of 1992.

Mr Cedric Thornberry, UN special envoy in Yugoslavia, yesterday strongly condemned the attacks and appealed to both sides to show restraint.

Some 6,000 rocket and artillery strikes on Croatian territory had been recorded since the latest outbreak of fighting in Krajina – a figure which is far heavier than the current level of fighting in Bosnia, UN officials said.

Associated Press

A woman passing a shelled supermarket in Sarajevo yesterday

Meanwhile, in another sign of the pressures now mounting on the Croat leadership, the Croatian president, Mr Franjo Tudjman, is to meet his Bosnian counterpart, Mr Alija Izetbegovic, today in Geneva to discuss access to the sea for the Moslem republic proposed in the three-way division of Bosnia.

The Bosnian Croats' refusal to concede Mr Izetbegovic's demand for territory extending to the Adriatic sea was a prime cause of the breakdown of the Bosnian peace talks a fortnight ago.

The meeting comes as the 30-strong steering committee for the international conference on former Yugoslavia holds its own discussions in Geneva on the state of the Bosnian negotiations, and separate mediation efforts between the Croatian government and rebel Serbs in Croatia.

Although hopes remain that the negotiations will resume by the end of the month, before the momentum in the peace plan has been lost, so far negotiators have appeared to have made little headway in their attempts to encourage the three sides to return to talks.

In recent days Mr Tudjman has come under strong international pressure to make more concessions to the Bosnian government, although diplomats fear that the latest fighting in Croatia will leave the Croat leadership in no mood to cede extra land in Bosnia.

Diplomats in Geneva said Mr Tudjman, who exercises strong influence on the Bosnian Croats, had the port issue "more or less in his gift".

The Croatian president has strongly opposed suggestions that the Moslems be given land around or near the small fishing port of Neum, part of the proposed Croat republic within Bosnia, to develop as a commercial port.

The present draft plan for Bosnia gives the Moslem republic guaranteed access to the Croatian ports of Rijeka and Ploce.

In another development, Mr Klaus Kinkel, the German foreign minister, yesterday announced that a joint German and French mission would travel to Neum to discuss the feasibility of building a port for the Bosnian government in the region.

Although the Bosnians have demanded that Neum should be their port, officials admit that the site is ill-suited to provide deep water access for vessels.

French officials yesterday said that the project, which had been agreed last week, was intended to provide greater momentum to the peace process.

● The International Court of Justice in the Hague yesterday ordered Serbia and Bosnia to stop acts of genocide in Bosnia, reaffirming an earlier ruling.

Monetary union timetable and jobs top Community agenda

EC ministers pledge to stand by Emu

By David Gardner in Brussels

EC FINANCE ministers yesterday vowed to press on with the Maastricht timetable for economic and monetary union, and called on the European Commission to make its forthcoming White Paper on competitiveness and employment in the Community a real instrument for job-creation.

In a televised debate on Community economic and monetary policy, ministers easily agreed that the jobs crisis was now top of the EC agenda, but showed little uniformity in identifying solutions.

Mr Phillipe Maystadt, finance minister of Belgium which holds the EC presidency, underlined the general agreement that EC credibility hinged on starting stage two of Emu on time next January, and on offering realistic solutions to unemployment.

All participants in the lacklustre debate backed his call for tighter macroeconomic and monetary co-ordination, and for no let-up in attempts to control budget deficits and inflation. As Mr Bertie Ahern, Ireland's finance minister, put it, "the foundations for Emu are the same as those for growth: sound and convergent economies operating a completed internal market."

Mr Henning Christophersen, EC economic affairs commissioner, warned that currency instability would wreck Europe's single market and bottle up cross-border investment.

Most ministers agreed job creation would need more flexible labour markets, a re-examination of taxes and social security charges on employment and wage moderation. But practical interpretation of this varied sharply.

Belgium, the Netherlands and Denmark, for instance, stressed the need to shift taxes on employment on to resources, calling for the EC to press ahead with its stalled energy tax plan.

Mr Kenneth Clarke, UK Chancellor of the Exchequer, called for the removal of "all unnecessary and damaging controls on business activity", in line with the UK's submission to the White Paper debate calling for the dismantling of much actual and planned EC social legislation, and fuller labour market deregulation.

Mr Jean Claude Juncker, Luxembourg's finance (and employment) minister, said "frenetic deregulation" was not the way to boost EC credibility, and that "we can not take on the Asian model". Several member states from Denmark to Portugal emphasised the need to preserve Europe's "model" of social provision.

UK officials nevertheless sense the debate is moving their way, and Mr Clarke said afterwards that "what would be a complete waste of time would be for the Commission to emerge with something as if the member-states' contributions [to the White Paper debate] had never been made."

Bank deposit plan angers Bonn

By Lionel Barber in Brussels

GERMANY may appeal to the European Court of Justice after EC finance ministers yesterday voted 11-1 in favour of a new Community-wide bank deposit guarantee scheme.

Bonn government officials made no effort to hide their disappointment over adoption of the new scheme, which falls short of Germany's unlimited protection for bank account holders.

Mr Christoph Zeitler, state secretary in the German Finance Ministry, said the new bank deposit directive was "unjust and unfair".

A German diplomat described the scheme as "anti-competitive".

Under the new directive the EC would require banks to raise protection to 90 per cent on the first Ecu20,000 (£15,320), starting January 1 1995. There is, however, a five-year transition period under which member states can limit the guarantee to Ecu15,000.

Germany's objections centre on the difficulties of safeguarding its own generous privately-managed compensation scheme if foreign bank subsidiaries operating in the country elect to join.

"It is a matter of supervision," said one official.

Bonn also argues that its own banks should be able to use their superior investor protection as a competitive weapon when operating elsewhere in the EC. But the directive expressly applies only to "topping up" and not lowering protection.

The new EC bank directive covers deposits in EC banks which are denominated in EC currencies and Ecus. Member states would be free to oblige third-country banks to join the scheme

Agreement on the scheme paves the way for similar arrangements to increase cover for investors in stocks and shares, which would mark a further step towards completing the single European market.

Separately, ministers agreed to release the second tranche of an Ecu8bn balance of payments loan to Italy.

The budgetary goal set by the Rome government for 1993 was likely to be met, they said.

Ministers welcomed Italy's emphasis on spending controls in the 1994 budget but warned that "there is still a need for additional budgetary efforts to meet the 1994 targets".

● Mr Philippe Maystadt, Belgian finance minister, has emerged as the consensus EC candidate for chairmanship of the IMF interim committee, vacated by Mr Carlos Solchaga, the former Spanish finance minister.

But Mr John Dawkins, Australian finance minister, is also said to be in the running.

Directors of Seat to discuss debt plan

By Our Foreign Staff

THE board of Volkswagen's Spanish subsidiary, Seat, will meet today in Barcelona to discuss its financial situation, a company spokesman said.

He confirmed that Mr Ferdinand Piëch, the VW chairman, and Mr José Ignacio López de Arriortúa, the production director, would attend the meeting, but would give no further details.

The meeting is expected to discuss contingency plans to reduce debts and operating costs, including the possible transfer of Seat's Landaben plant in Pamplona to VW and reductions in the 23,000 payroll.

Mr Piëch is believed to have commissioned a special audit after receiving reports of a looming deficit at Seat this year of DM800m ($493.8m) or more, and requests for an urgent DM1bn cash injection to save the company from collapse.

The subsidiary, which was taken over in 1986 and operates some of the most modern and low-cost manufacturing sites in the group, lost DM180m last year on sales of DM10bn.

The need for an investigation adds to the burdens of Mr Piëch, who is already weighed down by a clash with General Motors of the US over allegations of industrial espionage.

He is also battling to restore his personal credibility, having had to back away from earlier promises that the struggling VW automotive group would return to profit this year.

Whatever the findings of the audit, VW appears to have little alternative but to step in with a salvage operation.

VW lost DM1.6bn in the first half.

However the supervisory board has said it expected a positive result in the third quarter for the German parent and the group as a whole.

Belgium and Portugal shave rates

By James Blitz, Economics Staff

THE central banks of Belgium and Portugal slightly reduced their short-term interest rates yesterday, following the Bundesbank's cut in its internationally sensitive discount rate last week.

However, the French authorities surprised some dealers by keeping their official rates unchanged.

Belgium cut its end-of-day interest rate from 12.25 per cent to 12.00 per cent, having last week cut its discount rate by ½ a percentage point and its central rate by ¼ of a percentage point. Portugal reduced its emergency lending rate from 12.375 per cent to 12.25 per cent.

Both moves followed the ½ percentage point cut in the German discount rate to 6.25 per cent last week. They were accompanied by sharp appreciations of both currencies. The Belgian franc closed at BFr21.23 against a previous BFr21.47 and the escudo at Es101.58 compared with Es102.38. Nevertheless, the Bank of France disappointed market dealers by keeping the intervention rate – which marks the effective floor for all French rates – at 6.75 per cent. This is a ½ percentage point above its German counterpart.

The decision not to ease surprised some dealers, because the sharp appreciation of the French franc against the D-Mark yesterday would have given the Bank of France a good opportunity. The Bank of France may be concerned by the severe depletion of French currency reserves.

Investors have not forgotten, either, that France's attempts to push short-term rates below Germany's early in the summer failed to trigger a rise in the French currency. Aggressive cuts by France may even have contributed to the crisis which forced apart the exchange rate mechanism's bands on August 2.

OBITUARY

Shirt-sleeved manager who was 'Mister Mercedes'

MR Werner Niefer, 65, died at the weekend less than four months after he retired from a career at Daimler-Benz which spanned 50 years.

Mr Niefer, who was known in Germany as "Mister Mercedes", started with the company as a toolshop apprentice in 1943.

He worked his way up to be appointed deputy group chairman in 1987, and reached his career peak two years later when he was put in charge of the group's supporting pillar, Mercedes-Benz.

Mr Niefer played a key role in the restructuring of group production facilities after the takeover of aero-engineering and electrical and electronics interests such as Dornier, MTU and AEG.

During the late 1980s Mr Niefer enhanced his reputation as a "doer", acting as right-hand man to Mr Edzard Reuter, the group's chairman, who has dedicated his term of office to transforming Daimler into a broad-based technology group.

More recently, Mr Niefer, a self-confessed old-fashioned, shirt-sleeved manager operating often by "gut feelings", was quicker than some to recognise the dangers facing German auto makers.

Last year, for example, he pushed through the first painful phase of a continuing job-cutting programme.

However, he was also progenitor of the latest S-Class Mercedes, a so-called "cathedral on wheels" which was in the old tradition of the marque, and was damned in the German media for being out of touch with modern consumer demands. His other main projects at the company, including a new Mercedes mini-car and the German concern's first production plant in the United States, are now the responsibility of Mr Helmut Werner, who took charge in May.

Christopher Parkes

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 5964481, Telex 416193. Represented by Edward Hugo, Managing Director. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International).
Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.

FRANCE
Publishing Director: J. Rolley, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

DENMARK
Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

France calls up trouble-shooter Trichet

The new Bank of France governor is a man who appears to enjoy a challenge, writes **John Ridding**

MR Jean-Claude Trichet, who was officially appointed yesterday as the new governor of the Bank of France, seems to be drawn to crises.

His steady climb up the ladder of France's financial administration has placed him in the hot seat on several occasions. In 1981, as deputy director of international affairs in the Treasury, he faced the challenge of managing France's interests in the Latin American debt crisis. In August 1987, he was appointed director of the Treasury and was soon dealing with the implications of the international stock market crash.

True to form, he takes over at the head of the French central bank at a difficult time. This summer's currency crisis, which widened the franc's fluctuation bands in the European exchange rate mechanism from 2.25 per cent to 15 per cent, broke the French currency's close link with the D-Mark – the centrepiece of France's monetary policy. It leaves Mr Trichet and the government of Mr Edouard Balladur with the task of deciding what is French policy in the new European monetary order.

The task is complicated by pressures from French businessmen and politicians, even within Mr Balladur's Gaullist RPR party, for the reversal of the Bank of France's anti-inflationary stance and the implementation of more expansionist policies to revive the recession-hit economy.

Tony Kirk
Trichet: regarded as an unswerving advocate of financial rigour

Proponents of an alternative policy to a strong franc and financial discipline are, however, unlikely to take any comfort from Mr Trichet's appointment. Like his predecessor, Mr Jacques de Larosière, Mr Trichet has been an unswerving advocate of financial rigour. An amateur poet, he is expected to stick to his lines.

"He has been one of the principal architects of current policy," says Mr Jean-Luc Parodi, professor of politics at the Institut des Etudes Politiques de Paris.

Mr Trichet's orthodox views partly reflect his background and his experience in the French administration. A graduate of the Ecole Nationale d'Administration, the training ground for many of France's top officials, Mr Trichet has worked his way up France's financial hierarchy. In 1985 he was appointed director of international affairs at the Treasury and the following year he became chief adviser to Mr Balladur, then the French economics minister.

But those who have worked with him say his stance is also based on conviction. "Like Mr Balladur, he believes that France cannot return to the days when the financial authorities resorted to devaluations to ease the problems facing the economy," says one French banker.

In fighting his corner, the new governor will soon have a strengthened hand. A reform of the law to grant independence to the central bank is expected to be implemented by the end of the year. Under the new laws, the central bank will be granted autonomy in monetary policy.

How autonomous Mr Trichet appears will be the yardstick for his success in his new job. "The French government might have sent a stronger signal by naming a more independent-looking figure," said one Paris-based diplomat, referring to Mr Trichet's background in the Treasury and his links with Mr Balladur.

It is a sentiment echoed by some senior European officials who have negotiated with Mr Trichet. "He is very charming and intelligent and has shown his mettle in his work for the Paris Club and Group of Seven," one monetary official commented. "But you have to realise that French officials, even at the very, very highest level operate under very, very firm instructions from whoever is in political control."

Nor has Mr Trichet always been a strong advocate of central bank independence. It is not so many years since visitors to his office in the Treasury would be treated to strong criticism of the idea.

But other observers believe he will adapt well to the central bank's freedom. "He is an independent-minded person," says Mr Peter Mountfield, executive secretary of the World Bank's development committee, who worked with Mr Trichet as Britain's delegate to the Paris Club.

The real test of his independence, however, may come in his attitude towards the Bundesbank rather than the French government. Since the ERM reforms at the beginning of August, the Bank of France has continued to be guided by German monetary policy and the franc/D-Mark rate.

It was only after last week's cut in German interest rates, for example, that France completed its return to pre-crisis levels of official interest rates by cutting the 5-to-10 day borrowing rate from 10 per cent to 7.75 per cent.

The more important intervention rate was left unchanged at 6.75 per cent.

For the short term at least, the Bank of France is likely to continue to edge interest rates downwards, following the lead of the Bundesbank and with a careful eye on the value of the franc, which now appears to have a target range of between FFr3.50 and FFr3.55 to the D-Mark.

This partly reflects a need to rebuild foreign exchange reserves which were exhausted in the unsuccessful defence of the French currency at the end of July.

But such a cautious approach is not without risks. The franc remains vulnerable in the foreign exchange markets and investors are eager to see a more aggressive approach to interest rate cuts. Should they become restive, Mr Trichet's crisis management skills will again be put to the test.

Additional reporting by Peter Norman.

Paris may shuffle state jobs in finance

By David Buchan in Paris

THE Balladur government appears to be weighing possible changes at the top of the country's largest bank, Crédit Lyonnais, and the largest insurance company, Union des Assurances de Paris, to speed their eventual privatisation.

According to an identical leak appearing in five newspapers yesterday – on which the prime minister's office subsequently refused all comment – the government plans to exploit the expiry next month of the three-year term of Mr Yves Lyon-Caen, the socialist-appointed head of Crédit National, to set in train a small bout of musical chairs.

Crédit National has the very peculiar feature – even for France – in that because it was set up in 1919 with the public service function of repairing war damage, its top three officers are public appointees, even though the bank is privately-owned.

The government apparently intends to give the job of Mr Lyon-Caen (whose previous association with Mr Michel Rocard ensures also that he does not have President Mitterrand's support either) to the socialist-appointed Mr Jean-Yves Haberer to save his face on leaving Crédit Lyonnais.

Controversy has surrounded Mr Haberer's management of Crédit Lyonnais, which lost FFr1.9bn ($330m) in the second half of 1992 and recorded a reduced loss in the first six months of this year. But Mr Haberer, whose current mandate expires next June, is understood to have so far resisted being prematurely moved on to an institution one-tenth the size of Crédit Lyonnais.

If he moves on, Mr Jean Peyrelevade is expected to move from UAP to Crédit Lyonnais.

● G10 central bank governors appointed Bank of Italy deputy director general Tommaso Padoa-Schioppa as chairman of the Basle committee on banking supervision, the Bank for International Settlements said, Reuter reports from Basle.

Madrid on course to hit 4.5% inflation target

By Peter Bruce in Madrid

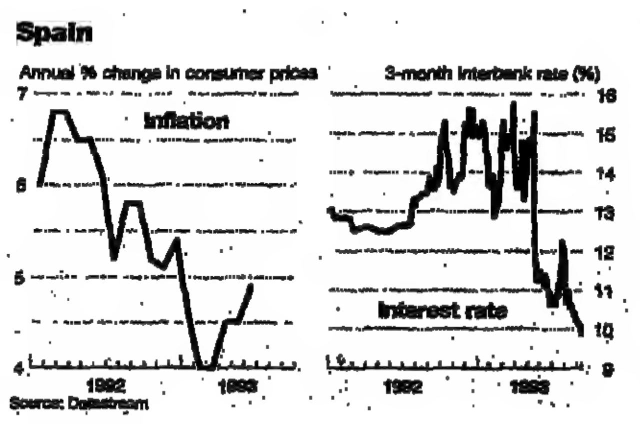
THE SPANISH government believes it is on target to meet its revised 1993 inflation forecast of 4.5 per cent after figures for August, released yesterday, showed prices rose just 0.6 per cent.

The August figure is 1.2 percentage points below that of August 1992, when new value added tax charges came into force. The annualised rate of inflation in July was 4.9 per cent.

The slow downward trend, caused largely by recession, will be a relief to the government, which yesterday began formal talks with trade unions and employers over pensions and unemployment benefits designed to secure union co-operation in lowering public deficits and wage inflation.

The lower inflation figure will be particularly helpful as a reference during discussions in the next few days over the way the government calculates state pensions. Madrid, alarmed at the growth of pension outlays, has said it wants next year to base pension increases on its forecast for 1994 inflation and not on the 1993 figure.

The unions are wary and have begun to insist on a "realistic" target for next year, as the government's forecasts are usually over-optimistic. The government wants to have the pensions talks completed before the 1994 draft budget gets to parliament on September 20 and yesterday's inflation figure will help centre them on a figure close to 4 per cent.



Nevertheless, economists close to the Bank of Spain say the easing in inflation is unlikely to lead to further quick cuts in interest rates, which are at historically low levels already. The central bank is waiting to take the budget's measure and to see whether, as promised, vital talks on wage moderation get under way in October.

Madrid originally intended to win agreement on wages before discussing pensions and unemployment benefits with the unions. But the reverse has happened.

The unions have won an important political concession. By negotiating pensions and benefits, issues the government has in the past been content to issue decrees on, they are being drawn back into the shaping of national policy from which they have been excluded since Spain joined the EC in 1986.

Analysts say the return of political responsibility to the unions should make agreement on labour market reform and a three-year wage moderation package relatively easy after the budget has been presented.

The long-term consequences of unions returning to policy-making are still difficult to discern, however, but some analysts worry that the government and the previously hostile unions have managed to begin talking to each other with such ease. They say the resulting agreements may be compromises outside the tough fiscal and wage constraints the markets have been insisting on.

Poles' link with Nato will raise spending

By Christopher Bobinski in Warsaw

POLISH membership of Nato will necessitate growth in defence spending, according to a deputy defence minister.

Mr Przemyslaw Grudzinski said yesterday that costs of re-arming Polish forces to match Nato's equipment would need an increase in defence spending to 3 per cent of gross domestic product, against a defence budget of 2 per cent of GDP at present.

Mr Manfred Wörner, Nato's secretary-general, said last week that the defence alliance was "not a closed shop" and that the time had come "to open a more concrete perspective to those countries of central and eastern Europe which want to join Nato and which we may consider eligible for future membership".

Mr Klaus Kinkel, Germany's foreign minister, made similar comments.

Poland, along with Hungary, the Czech Republic and Slovakia, is pressing for a clear statement of intent on membership at the January Nato summit in Brussels.

However, Mr Grudzinski warned any debate on the issue ahead of Polish elections on September 19 would hurt the country's chances of joining as it would signal a lack of resolve. "The decision to press for Polish membership of Nato has already been taken and there is no alternative," he said.

Poland's defence budget stood at about 35 per cent of 1986 spending levels when Poland had an army of 450,000, Mr Grudzinski said. The armed forces now numbered 230,000.

A mere 10 per cent of spending was going on new equipment, against about 36 per cent under the Warsaw Pact, he added.

A spending increase in preparation for Nato membership would be a blessing to the country's hard-pressed defence industry. It would also mean access to western technology and companies.

US welcomes Arafat back in from the cold

By Edward Mortimer in Washington

THE ceremony was set for 11am, but the White House gates opened at 8am, for those specially invited to witness it, and some were already queuing soon after 7am to be sure of a good seat. At the head of the queue was a man from the American Israel Public Affairs Committee (Aipac).

Until a few weeks ago that committee, perhaps the most formidable lobbying organisation in all Washington, would have moved heaven and earth to prevent the re-election of any senator or congressman foolish enough to suggest a resumption of official contacts between the US and the Palestine Liberation Organisation, let alone an invitation to the White House for Mr Yassir Arafat himself, whom most Americans have regarded as the world's arch-terrorist ever since his famous "gun-and-olive-branch" appearance at the United Nations in 1975.

But there was the man from Aipac (after consulting the woman next to him he declined to give his name) queuing up to get within handshake distance of the PLO leader, and declaring benignly his support for "the peace process".

Later arrivals included most of those who in successive US administrations have handled that "process", which has been a principal feature of US foreign policy under both Republican and Democratic presidents since at least 1973.

There was Mr Henry Kissinger, who as secretary of state in that year negotiated the ceasefire at the end of the Yom Kippur war and the "disengagement of forces" agreements which followed, first between Israel and Egypt, then – a far tougher affair, requiring a two-month marathon of shuttle diplomacy – between Israel and Syria. But it was also Mr Kissinger who in 1975, as part of the price for Israel's partial withdrawal from Sinai, gave the pledge that the US would never deal with the PLO unless it first renounced terrorism and recognised Israel's right to exist.

There was former President Jimmy Carter, who 15 years ago hosted the three-week Camp David summit between Egypt's then President Anwar Sadat and Mr Menachem Begin, Israel's prime minister of the time.

Most Americans have regarded Arafat as the world's arch-terrorist

Mr Carter has perhaps as much right as anyone to feel fulfilled by yesterday's agreement, since it is closely modelled on the Camp David "framework", which at the time the PLO, along with almost the entire Arab world outside Egypt, furiously rejected.

He may have reflected with irony that, had the framework been accepted, the interim period of Palestinian autonomy might have started in 1979 rather than 1993 or 1994, in which case negotiations on the final status of the territories should have begun by 1982 and been concluded by 1984.

Yet Mr Carter was bound throughout his administration by the Kissinger pledge, and so was never able to bring his diplomatic talents directly to bear on Mr Arafat or other PLO representatives. This thought must yesterday have been running through the mind of Mr Andy Young, the black American leader who in 1979 was forced to resign as Mr Carter's representative at the United Nations after secret contacts between him and the PLO representative there came to light.

There were Mr Cyrus Vance and Mr Zbigniew Brzezinski, respectively secretary of state and national security adviser in the Carter administration and frequently at odds over the Middle East as well as over policy towards the Soviet Union.

There was General Alexander Haig, who as Mr Ronald Reagan's first secretary of state gave the green light for that invasion, and resigned in the midst of the crisis which followed. There was his successor Mr George Shultz, who in 1988 negotiated the PLO's first explicit recognition of Israel's right to exist – an essential precondition for yesterday's agreement.

And there were President George Bush and his secretary of state, Mr James Baker, who between them nudged Israel and the Arabs into the peace conference which began in Madrid the year before last, in the wake of the Gulf war. They also can take some of the credit for bringing Mr Yitzhak Rabin to power in Israel last year. By witholding loan guarantees from Israel they demonstrated for the first time that US support was not unconditional.

Indeed it depended on Israel's willingness to halt the settlement process in the occupied territories and give up "land for peace".

Polls show growing support for peace accord

By Julian Ozanne in Jerusalem

SUPPORT among Israelis and Palestinians for the peace agreement signed in Washington is steadily growing, according to a number of opinion polls published yesterday.

Latest polls show that 62 per cent of Israeli Jews and 65 per cent of Palestinians support the "Gaza-Jericho" peace accord although an even larger majority on both sides of the "Green line", which divides Arab and Jew, support the holding of referendums on the agreement.

In Israel a poll conducted by the Guttman Institute of Applied Social Research among Israeli Jews found that 62 per cent are in favour of the Gaza-Jericho deal, a marked increase on last week's 52 per cent. However, 66 per cent would like the government to hold a referendum or new elections.

Mr Yitzhak Rabin, the prime minister, has ruled out holding new elections but said his government might call a referendum if the deal failed to get sufficient parliamentary support next week.

Mr Rabin has repeatedly said the peace accord must get majority support in the Knesset without relying on the five Arab votes which make up his majority. At least ten other Jewish members of the Knesset, including six MPs of his coalition partner Shas and one member of the right-wing Likud Party, are currently wavering between abstention and support.

The Guttman Institute poll found many more Israeli Jews support handing over the economically decimated and violence-plagued Gaza Strip – 81 per cent – than favour giving up the West Bank town of Jericho, which is backed by 59 per cent.

Furthermore, on sensitive issues likely to dominate future negotiations over a permanent Israeli-Palestinian settlement, the poll showed Israeli Jews were much less compromising.

Only 11 per cent favour concessions over the status of Jerusalem as a united city under Israeli jurisdiction and only 20 per cent think Israel should cede all or part of the rest of the West Bank. Only a slim majority of 54 per cent believe Jewish settlement in the occupied territories should be stopped.

However 63 per cent are satisfied with the government's handling of the peace process.

In the occupied territories a substantial opinion poll of more than 1,200 Palestinians conducted by the Nablus-based Centre for Palestine Research and Studies found 65 per cent supported the Gaza-Jericho agreement and 81 per cent favoured holding a Palestinian referendum.

The survey found 45 per cent felt the agreement would lead to a Palestinian state and achieve Palestinian rights, 34 per cent did not think so. Opinion over ending the intifada – the Palestinian uprising against Israeli occupation – was split with 46.5 per cent in favour and 42.6 per cent against.

The poll also found that since mutual recognition between Israel and the Palestine Liberation Organisation was concluded last weekend, approval of the PLO as the legitimate and sole representative of Palestinians had increased, a large majority were in favour of amending the PLO's founding covenant which calls for the violent destruction of the Jewish state and a massive 80 per cent were in favour of democratic dialogue rather than violence.

Both polls were taken before the upsurge in violence in the occupied territories which left three Israeli soldiers and a bus driver dead on Sunday after attacks by Islamic fundamentalist opponents of the peace agreement. The right wing sought to whip up Israeli fears.

The Likud party said: "The Israeli surrender to the demands of the murderous PLO won't bring peace to Israel but will only incite more terrorism and bereavement."

However, the government sought to exploit Palestinian violence against Israelis as proof of the necessity of the peace agreement which provides for Palestinian policing of Gaza-Jericho.

"These events strengthen the need for an agreement which will oblige the Palestinian population to join in putting an end to such attacks and punishing perpetrators," said Mr Moshe Shalal, police minister.

Old soldier in front line for peace

By Julian Ozanne in Jerusalem

MR BENJAMIN Ben-Eliezer, Israel's minister of housing, has seen the worst side of Arab-Israeli wars. Now, after 27 years as a combat soldier in all of Israel's main post-independence conflicts, he is one of Israel's most ardent supporters of peace.

"Its a very, very special day for me," he said in an interview yesterday. "A day which could end years of fighting and offer new hope, new opportunities and new challenges."

Apart from Mr Yitzhak Rabin, prime minister, Mr Ben-Eliezer – known throughout Israel by his Arabic name Fouad – is the only general in the Israeli cabinet. His support for the peace agreement springs directly from his long career as a military man which began in 1954 when, at age 18, he joined the elite Golani brigade of the Israel Defence Force.

"I owed some answers to my five children," said the 58-year-old minister, who was born in the Iraqi town of Basra and speaks, reads and writes fluent Arabic. "I wanted to make sure that after they completed their military service if they were ever called again to fight another war with Arabs they should know that my generation – the generation that fought for the country across all those painful decades – had taken all the risks to change the future and the destiny of our country."

It is a remarkable statement for a man who has been at the cutting edge of the battle against the Palestine Liberation Organisation. During the 1967 Six Day War he served as a commander of an élite reconnaissance battalion making raids across enemy lines, in 1969 he was wounded during an airborne raid on a PLO camp in Jordan and throughout the 1970s he fought the PLO in Lebanon – becoming, in 1976, the first Israeli military officer to enter Beirut when he slipped into the country from a missile boat to help build up the Lebanese Christian Phalange militia, then fighting the PLO on the streets of the Beirut.

Later he was commander of southern Lebanon, military governor of the Israeli-occupied West Bank and co-ordinator of government activities in all the occupied territories.

"For years we thought there was no alternative but to fight and fight and fight. That is why this is such a historical change – hopefully to bring an end to wars and battles and to bring something new – a new Middle East," he said.

In 1984 "Fouad" left the army, joined the Labour party and entered Israel's parliament. He quickly earned the disapproval of many MPs when, in a now-famous speech made a year before the eruption of the intifada (Palestinian uprising) – he warned that the territories were heading for "a rebellion or mass civil disobedience. The process has begun and within three to five years we will have a full-scale revolt on our hands".

He said a whole generation of Palestinians had grown up knowing nothing but military occupation and he urged Israel to seize the moment, make a drastic change of direction, and give the Palestinians autonomy over their own affairs. Nobody listened then. Six years later the Israeli nation agreed. And the man tipped one day to be prime minister is looking like a visionary.

'For years, we thought there was no alternative but to fight and fight and fight'

The agreement, Mr Ben-Eliezer says, is not without risks but they are calculated risks. "A government which has the moral right to send soldiers to war, to an unknown tomorrow, must also do everything possible not to lose the opportunity of a historical chance to change its future. You can take a great chance without risks but they are calculated risks."

The greatest risks, he says, are the possibility of a change in the leaderships of neighbouring Arabic states and the rise of Islamic fundamentalism which could continue to threaten Israel's right to exist.

The greatest opportunities, he adds, are in a new Middle East of economic co-operation, and he believes his ministry will be in the forefront of building new roads and ports to service the Middle East.

Much will depend, he stresses, on whether the experimental trial period of interim Palestinian self-rule works out and builds confidence on both sides. And in a symbolic gesture, the minister yesterday opened a new housing project for Israeli Arabs in Lod, right next to a Jewish neighbourhood.

"For centuries Arabs and Jews lived together. We are both Semitic peoples, after all. I hope we can live in peace again, separately, but with mutual respect, understanding and co-operation. We need to live together but also separately because everyone has to live with something that belongs just to him."

Reuter

THE ECSTASY: a young Palestinian wearing his nation's flag as a shirt celebrates in Jericho's town square. Most of the town joined the celebrations

Reuter

THE AGONY: A Palestinian guerrilla in a Sidon refugee camp holds a burning poster of Yassir Arafat in protest at the peace pact

WE KNOW A DIFFICULT ROAD LIES AHEAD – CLINTON

The following are extracts of speeches made at the White House ceremony yesterday.

■ **US President Bill Clinton**

"A peace of the brave is within our reach. Throughout the Middle East, there is a great yearning for the quiet miracle of a normal life. We know a difficult road lies ahead. Every peace has its enemies, those who still prefer the easy habits of hatred to the hard labours of reconciliation…

"Together, let us imagine what can be accomplished if all the energy and ability the Israelis and the Palestinians have invested into your struggle can now be channelled into cultivating the land and freshening the waters, into ending the boycotts and creating new industry, into building a land as bountiful and peaceful as it is holy…

"The children of Abraham, the descendants of Isaac and Ishmael, have embarked together on a bold journey. Together, today, with all our hearts and all our souls, we bid them Shalom, Salaam, Peace."

■ **Israeli prime minister Yitzhak Rabin**

"This signing of the Israeli-Palestinian declaration of principles here today, it's not so easy, neither for myself as a soldier in Israel's war, nor for the people of Israel, nor for the Jewish people in the diaspora who are watching us now with great hope mixed with apprehension.

"It is certainly not easy for the families of the victims of the wars, violence, terror, whose pain will never heal; for the many thousands who defended our lives in their own and have even sacrificed their lives for our own. For them, this ceremony has come too late…

"Let me say to you, the Palestinians, we are destined to live together on the same soil in the same land… We are today giving peace a chance and saying to you – and saying again to you – enough. Let us pray that a day will come when we all will say farewell to arms."

■ **PLO chairman Yassir Arafat**

"Mr President, I am taking this opportunity to assure you and to assure the great American people that we share your values for freedom, justice and human rights – values for which my people have been striving…

"Now as we stand on the threshold of this new historic era, let me address the people of Israel and their leaders, with whom we are meeting today for the first time, and let me assure them that the difficult decision we reached together was one that required great and exceptional courage.

"We will need more courage and determination to continue the course of building co-existence and peace between us. This is possible and it will happen with mutual determination and with the effort that will be made with all parties on all the tracks to establish the foundations of a just and comprehensive peace.

"Ladies and gentlemen, the battle for peace is the most difficult battle of our lives."

Jordan close to deal on talks agenda

By James Whittington in Amman

JORDAN is expected today to conclude an "agenda" or framework for discussion with Israel. Jordanian officials have stressed that the document is not a peace agreement but a list of agreed subjects to be tackled in negotiations.

Jordan's government acknowledges that the agenda has been ready for endorsement for nearly a year. But its announcement was delayed until the Palestinians achieved a breakthrough.

The framework is based on Security Council resolutions 242 and 338 and includes water rights, Palestinian refugees and displaced persons, disputed land borders, and security issues.

Water has become a pressing issue in Jordan which faces difficulties with its rapidly expanding population. Accusations that Israel is "stealing" water have become customary and the kingdom will be pressing to regain its share from the Jordan river basin.

Jordanian officials said they sought a settlement based on one mediated by Mr Eric Johnston, a special envoy of President Eisenhower, between 1953 and 1955. This allocated a 3 per cent share of the Jordan river basin to Lebanon, 10 per cent to Syria (which never signed the agreement), 31 per cent to Israel and 56 per cent to Jordan. Although the Johnston plan may be a basis for discussion, officials in Amman concede that demographic changes since the 1950s will probably lead to a re-assessment of water needs.

The question of refugees and displaced persons has taken on new impetus now that Israel has agreed to limited Palestinian autonomy. Mr Adbul Salam al-Majali, Jordan's prime minister, recently said that the PLO-Israeli accord, and Jordan's agenda, would entail the repatriation of 246,000 Palestinian displaced persons who entered Jordan in 1967. He said another 3,000 Palestinians who had left the occupied territories since 1968 should also be reunited.

Publicly, government officials say that Jordan will push for the full rights of return of all the 1.1m registered displaced persons in the kingdom. But Israel is unlikely to accept the return of nearly 300,000 refugees who fled their homes during the 1948 Palestine war. Jordan may thus seek some kind of compensation.

The agenda also provides for the first Israeli recognition of Jordanian claims to land held by Israel. This includes a strategic strip of land in the north which contains the source of the Yarmouk river, and territories in Wadi Araba which lie between the southern tip of the Dead Sea and the Gulf of Aqaba.

Jordan supports the idea of free trade with the West Bank and Gaza Strip, but Israel is calling for restrictions on Jordanian exports which might enter the Israeli market.

Jordanian officials say they do not expect negotiations to lead rapidly to a full peace treaty

Biblical cities the focus for Palestinian autonomy

Gaza and Jericho will form the nuclei of a future new Arab entity, writes Maurice Samuelson

NEITHER Gaza nor Jericho, which are to be the nuclei of Palestinian autonomy, rivals Jerusalem in Arab aspirations or in strategic and political standing.

But their combination in a new Arab entity, flanking Israel under its internationally recognised borders, is the key factor enabling Mr Yassir Arafat, Palestine Liberation Organisation chairman, to say he has grasped at least the outline of a Palestinian state.

The two Biblical cities are on opposite fringes of the tight little country disputed by Jew and Arab. Jericho is on the Jordan river dividing the Hashemite Kingdom from pre-1948 Palestine, and Gaza sits on the coast road linking Egypt with Israel's main population centres.

It is not just a matter of geography. In the armistice agreements which concluded the war of 1948-9, Jericho and Gaza found themselves controlled by two rival Arab kingdoms. They became casualties not only of Israel's victory – swamped by thousands of restless refuggees – but also the political vacuum caused by the their political leaders' fatal extremism.

Arafat has grasped at least the outline of a Palestinian state

The Arab states, spurred on by these leaders, had invaded Palestine to thwart its partition under the United Nations resolution of November 29, 1947. The Jewish state emerged with borders substantially wider than those drafted by the UN; the rump of Arab Palestine, having spurned co-existence with a Jewish state, was split between Jordan and Egypt (there was also a tiny strip controlled by Syria).

In taking over Jericho and Gaza, Transjordan and Egypt at first acted as though they recognised the Palestinian Arabs as a separate national entity with rights to independence.

On October 10, 1948, an All-Palestine government – in Gaza – was formed with the blessing of Egypt and the Cairo-based Arab League. It adopted the trappings of national sovereignty. Its president was former Jerusalem Mufti Haj Amin al-Hussaini, Arab Palestine's foremost nationalist leader, who had led a pre-war revolt against the British and spent much of the second world war in Berlin. It also had its own prime minister, a cabinet and a national assembly.

Most Arab countries recognised it. But King Abdullah, whose Arab Legion held the west Bank, including the Old City of Jerusalem, said he would recognise no government in Palestine, including Israel's, as long as the land had not been restored to its inhabitants.

From Jericho he launched his counter bid as protector of Arab Palestine. On December 1, 1948, the ancient city hosted a congress of Arab notables from the territories under Abdullah's control. The Jericho assembly declared Emir Abdullah King of Palestine, and hailed the union of the two banks of the Jordan as the kernel of a wider Arab unity. Over the next two years, the process begun at Jericho was consolidated as first the US, and then Britain, announced *de jure* recognition of a new Jordanian kingdom embracing Transjordan and the Palestinian West Bank.

Gaza's pretensions were quickly forgotten. Its All-Palestine government faded away; some of its leaders left the city almost immediately and its assembly collapsed after only one meeting. Gaza and its coastal strip became a fiefdom of the Egyptian army. It was never incorporated into Egypt and its refugee population was in a state of continuous explosion.

Gaza and Jericho came under the same political administration only when they were among the territories captured in six days in 1967 by the Israeli army, under its chief of staff, Lt Gen Yitzhak Rabin, now prime minister.

It was to take another quarter of a century for Palestinians and the Israelis finally to recognise each other's national credentials.

Jericho and Gaza, once the symbol of Arab Palestine's dismemberment, are now the twin centres from where it might become the catalyst in transforming the Middle East from continual warfare to peaceful coexistence. But only if the fanatics, Arab and Israeli, are kept in check.

Polls show growing support for peace accord

By Julian Ozanne in Jerusalem

Babangida allies ousted in reshuffle

By Paul Adams in Lagos

A RESHUFFLE at the head of Nigeria's armed forces has strengthened the position of General Sani Abacha as defence minister and swept aside allies of former President Ibrahim Babangida as pressure builds on the interim government to settle the dispute with Mr Moshood Abiola, winner of the cancelled June elections.

The army-backed interim government led by Mr Ernest Shonekan has begun to assert its independence from the Babangida regime and is still searching for a compromise between the plan to hold fresh elections in February and the demand by Mr Abiola and his supporters to uphold the result of the June polls.

Gen Abacha has restructured the senior ranks of the armed forces, reversing appointments made by retired Gen Babangida just before leaving office. Babangida loyalists have been transferred to less powerful positions and vocal opponents of the extension of military rule have been promoted to more strategic posts.

Brig-Gen Halilu Akilu is being transferred from head of internal security to director of army reserves, recruiting and resettlement. He will be replaced by Brig-Gen A Abdullahi, the present defence attaché in London. Four of the key field commanders have been transferred to staff jobs.

Lt-Gen Joshua Dogonyaro and Air Commodore Nsikak Nduak, who were appointed as chief of defence staff and chief of air staff respectively by Gen Babangida, have also been replaced. The new chief of defence is Lt-Gen Dapo Diya, a Yoruba who opposed the banning of Mr Abiola. Lt Gen Salihu Ibrahim, an opponent of the military clinging to power, has retired and been replaced by Lt Gen Aliyu Mohammed, formerly Gen Babangida's national security adviser.

These changes will have done much to quell unrest in the middle and junior ranks of the armed forces over the appointments made by Gen Babangida in senior posts in the military and in the mainly civilian interim government.

Gen Abacha has emerged from the turmoil of recent months with his stature enhanced. Although the only military member of the interim government and the only survivor of the cadre of officers who ousted civilians from power a decade ago, he is credited with forcing Gen Babangida to step aside.

The majority of the armed forces voted for Mr Abiola in the June polls and the new posts may improve Mr Abiola's prospects of achieving his political aims.

Mr Abiola claims the right to Nigeria's presidency but has been taking refuge in Europe for over a month.

Tokyo split over moves to cut surplus

By William Dawkins in Tokyo

DIFFERENCES have emerged in Tokyo's new coalition government over whether to accept US demands for numerically targeted cuts in Japan's swollen current account surplus.

Mr Morihiro Hosokawa, the prime minister, said yesterday that he would study the issue of targets, but added that it would be difficult to set goals for the surplus.

He was responding to remarks in Washington at the weekend by Mr Tsutomu Hata, foreign minister, that Japan might consider specific targets for cutting the surplus with the US. This seemed a reversal of previous policy on Japan's most important trade relationship.

Senior officials yesterday stressed there was no change in stance. However, internal pressure for change is building up, with parts of the foreign ministry keen to offer a compromise on this sensitive dispute when Mr Hosokawa meets President Bill Clinton in New York at the end of the month.

There has been a chorus of calls recently from business leaders such as Mr Takeshi Nagano, president of the Nikkeiren employers' federation, for the government to discuss such targets. They fear Japan's opposition to a targeted cut is a factor in the yen's 20 per cent rise against the dollar since January, which has made worse an already serious corporate profits downturn.

Japan has so far successfully resisted US demands for a reduction in the current account surplus to less than 2 per cent of gross domestic product over three to four years.

The surplus hit $117.55bn, or 3.2 per cent of GDP last year and is heading for 4 per cent of GDP this year. August trade figures, due out today, are expected to confirm this trend.

The toughest opposition to trade targets comes from the finance and international trade and industry ministries. They argue that they cannot hope to hit such targets, even if agreed, because their influence over Japan's increasingly free economy is declining. Unofficially, they see targets as an unacceptable encroachment on what power they have left to carry out economic and industrial intervention.

Associated Press

A Japanese UN peacekeeper says farewell yesterday to Lt Col Yoshio Ishiorosbi in Phnom Penh as he boards an aircraft for home after spending 11 months repairing roads in Cambodia

US holds fire on N Korea penalties

By John Burton in Seoul

A SENIOR US official said yesterday that Washington was "in no rush" to ask the United Nations Security Council to impose economic sanctions on North Korea for its suspected nuclear weapons programme.

The US and South Korea earlier indicated that they might transfer the North Korean nuclear issue to the UN unless Pyongyang achieved progress in nuclear inspection talks with the International Atomic Energy Agency (IAEA) and Seoul by the end of the month.

However, the US will not hold new talks with North Korea until there is progress on inspection, said Mr Robert Gallucci, the assistant US secretary of state for political and military affairs, in Seoul.

The US offered the possibility of expanded relations during two rounds of talks with Pyongyang this summer in an attempt to persuade it to accept full nuclear inspections. The US had scheduled a third round for mid-September.

But North Korea has so far refused to allow the IAEA to inspect two nuclear waste facilities that could determine whether it has produced more weapons-grade plutonium than it has declared to the Vienna-based agency. North Korea has also rejected talks with Seoul on mutual nuclear inspections unless the South Korean government accepts several conditions.

● South Korea's chief prosecutor yesterday became the second senior judicial official to resign within a week for property speculation. The resignation of Mr Park Jong-cheol as prosecutor general follows that of chief justice Kim Duck-joo.

Somalis in clash with UN force

UN troops fought Somali gunmen in Mogadishu for nearly three hours yesterday, and three US soldiers were wounded, AP reports from Mogadishu.

Mr David Stockwell, UN spokesman, denied a report of 12 American deaths, adding: "We don't really have an idea of the size of the militia that attacked us."

A spokesman for Gen Mohamed Farrah Aideed, the fugitive warlord, said as many as 60 Somalis may have died, including civilians caught in crossfire.

Republic fear

Mr Bill Hayden, Australia's Governor-General, warned yesterday that the push by Mr Paul Keating, Labor prime minister, for a republic could lead to political turmoil, Reuter reports from Canberra.

A president, without the restraints at present imposed on a governor-general, could ignore the government to pursue his or her own direction, he added.

India N-move

India will make its own nuclear fuel to run a power station now fed by enriched uranium from France, Mr A N Prasad, director of the Bhabha Atomic Research Centre, said yesterday, AP reports from New Delhi.

France declined to renew its fuel agreement because India refuses to sign the nuclear non-proliferation treaty.

Sale of Post points way back to China

Simon Holberton on the Malaysian purchase of HK's English-language newspaper

HONG KONG passed another milestone on its journey back to China over the weekend with the sale of the colony's leading English-language newspaper to Chinese interests.

Mr Rupert Murdoch's News Corporation sold 34.9 per cent of the South China Morning Post, which has been published since 1903, to Mr Robert Kuok, a Malaysian millionaire, for $349m. News Corp retains 15 per cent of the paper but is not seen as a long-term holder of the stock.

The trading of assets between the wealthy in Hong Kong is a daily event but what makes the sale of the Post important is the question it raises over the future of an independent media in Hong Kong as British rule comes to an end and the colony prepares for reunification with the mainland.

It has become plain that China's strategy in Hong Kong is to control the centres of power in the colony, either directly or indirectly. The media is just one of the commanding heights, along with the local legislature and the civil service, which Beijing wants secured before it assumes full control of Hong Kong in 1997.

The Post has hitherto been one of the few prominent supporters of Governor Chris Patten's plans for greater political freedom in Hong Kong. The paper's relatively modest 110,000 daily circulation belies its importance among opinion makers; it is widely read by Hong Kong's educated Chinese elite, not just by the colony's expatriate community.

Many at the Post, in the government and elsewhere expect the paper's editorial position to come in line with that propounded by the New China News Agency, Beijing's unofficial embassy in Hong Kong. One government official says: "The Post was one of the few remaining independent newspapers in Hong Kong. Now it's going to be compliant."

This view is seen as not much more than special pleading by others. According to a senior Sinologist at Hong Kong University: "Let's face it, under colonialism the Post was pro-colonial. It was the establishment newspaper and after 1997 it will probably continue to be the establishment newspaper. The ownership change simply reflects the changes under way within the establishment."

> 'Let's face it, under colonialism, the Post was pro-colonial'

Echoes of these changes have been seen recently in other areas. Mr Martin Lee, leader of the United Democrats, was refused representation by 11 leading firms of solicitors in July when he wanted to bring a suit for libel against a leading figure in the colony who is also an adviser to Beijing.

Last month Mr Simon Murray stepped down from the managing directorship of Hutchison Whampoa, becoming the last English "taipan" of Hong Kong's oldest trading company. Amicable though his leaving was, Mr Murray had become frustrated. Mr Li Ka-shing, the company's owner, had banned him from publicly supporting Mr Patten's plans for greater democracy lest it offend China.

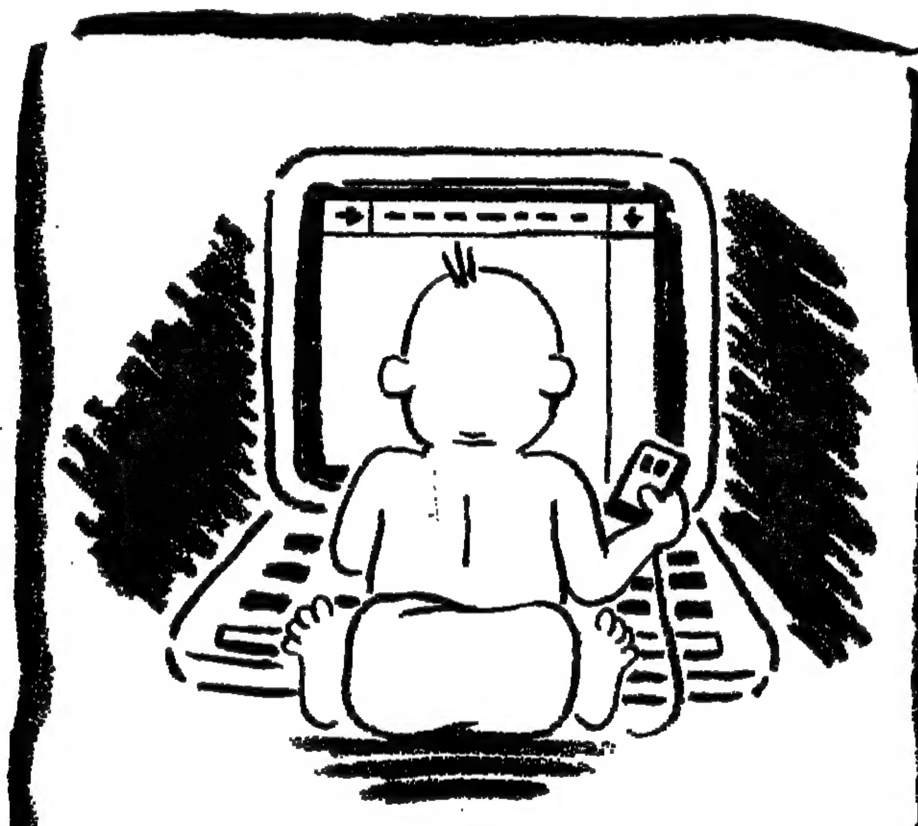
The Post's new owners are not likely to challenge China's policy towards Hong Kong. Mr Kuok has extensive business interests in China, primarily in hotels and property, oil refining and ports development. The management of the paper in the future could well fall to Singapore Press Holdings, publisher of the Straits Times; it already owns 5 per cent of the paper and is seen as the likely buyers of Mr Murdoch's remaining interest.

Beijing has put great efforts into winning the support of newspaper proprietors in Hong Kong. Through the Ministry of Propaganda, the governmental face of the Communist party's United Front department, proprietors are regularly feted in Beijing.

According to observers in Hong Kong there is both a positive and negative side to this development. "You can see it as a united front exercise with Beijing co-opting influential people in Hong Kong," says one. "But China is also changing and it has become more receptive to these people. There is a confluence of interest."

For others, a better indication of whether Hong Kong's media retains its independence is how it reports on affairs in China. There are a number of weekly and monthly magazines in the colony which give what appear to be detailed accounts of the manoeuvrings of senior Communist party officials. Others are used by senior Communist party officials to discredit political competitors.

According to these observers, none of whom wanted to be identified, the survival of these magazines is a better bellwether of media independence than the fate of Hong Kong's oldest English language daily.



NEWS: WORLD TRADE

Move to break Japanese market domination

Mitsubishi plans to import sheet glass

By Emiko Terazono in Tokyo

MITSUBISHI Corporation, Japan's leading trading house, is to import foreign sheet glass in an attempt to break domestic manufacturers' domination of the market.

The move is in response to the sharp appreciation of the yen and mounting calls from the US for Japan to increase glass imports. A favourable reaction from domestic wholesalers to trial imports from Pilkington Glass of the UK and Guardian Industries of the US has accelerated plans.

The imports are expected to erode the market share of Asahi Glass, which belongs to the Mitsubishi keiretsu, or *industrial grouping*, Nippon Sheet Glass and Central Glass, which have dominated the country's construction and housebuilding glass market.

Mitsubishi said the company's interests came before the keiretsu, reflecting an easing of corporate ties.

Its decision was guided by Mr Makoto Kuroda, senior managing director and a former senior trade negotiator at the Ministry of Trade and Industry. The deal with Guardian was conducted through one of Mr Kuroda's former negotiating counterparts at the US trade representative's office, now working for the Tokyo arm of the US glass maker.

Mitsubishi has ties with Yamada Shoten, a leading domestic glass wholesaler, and hopes to expand annual sales to Y1.5bn (£9.1m), or 0.5 per cent of market share, for the first year. A company spokesman said he expected imports to gain substantial market share in the future.

● Sumitomo Chemical and Nissan Chemical Industries of Japan are to form an agrochemical development and marketing joint venture with Rhône-Poulenc, France's largest chemicals company.

The new company will have capital of FFr65m (£7.4m), with Sumitomo holding a 60 per cent stake, Nissan a 30 per cent stake, and Rhône-Poulenc 10 per cent.

Davy of UK wins Russian equipment deal

By Andrew Baxter

DAVY INTERNATIONAL, part of Trafalgar House of the UK, has won a $70m (£45.4m) contract to supply secondary steelmaking equipment and continuous casting machines to a steelworks in Novokuznetsk, Russia.

The deal is Davy's biggest order in Russia since the break-up of the Soviet Union, and underlines the importance to the country of a modern steel industry.

Installation will be part of the reconstruction of facilities at the Kuznetsk works. The contract involves the design, supply, supervision of erection and commissioning of two ladle furnaces, a vacuum tank degasser, two continuous bloom casters and a continuous slab caster.

The contract was awarded by Kuznetsk Metallugical Kombinat and Tyazhpromexport, acting as joint buyers. The facility will be brought into operation from end-1995 and will process about 2.5m tonnes of liquid steel a year.

● Davy International and Davy John Brown, with Paul Wurth of Luxembourg, have been nominated by BHP Steel as preferred contractors for an A$400m (£168m) blast furnace at its Kembla steelworks in New South Wales.

Davy's contract covers engineering, procurement and construction management, and is worth £15m-£20m to the UK company. The new furnace will start operating in early 1996 and will replace two smaller units.

Goodyear to build $150m plant in India

By Stefan Wagstyl in New Delhi

GOODYEAR Tire & Rubber, the US tyremaker, is to build a $150m (£97.4m) joint venture factory in India in one of the largest foreign investments in the country since economic reform was launched two years ago.

The plan will boost the government of Mr P V Narasimha Rao, prime minister, which is trying to promote foreign investment through economic liberalisation.

Foreign companies have secured government approval for projects worth $3bn since mid-1991, but only a fraction of these schemes have so far gone ahead.

Mr Hoyt Wells, Goodyear's president and chief operating officer, said Goodyear was establishing a 50:50 joint venture with Ceat, a leading Indian tyre company affiliated to an industrial grouping headed by Mr R P Goenka, the Calcutta-based entrepreneur.

Subject to government approval, the plant will begin annual production of 500,000 tyres from next year, rising to 3m.

Tyres from the plant – to be built at Aurangabad in Maharashtra, western India – will be sold under both the Goodyear and the Ceat brands through separate marketing operations. The companies already have factories in India but decided a new plant on a greenfield site would be the best way to expand their operations.

Mexico offers a soft target for Nafta foes

US opponents of the trade pact highlight political flaws south of the border, writes Nancy Dunne

PRESIDENT Clinton today begins a formal campaign to win congressional approval for the North American Free Trade Agreement. But Mexico is a problem.

The president has the backing of ex-US presidents and a letter of support from 280 US economists, including 12 US Nobel Laureates. However, silencing critics of the pact, who say the US has no business integrating its market with a non-democratic country guilty of corruption and human rights abuses, is going to be difficult.

Mr Mickey Kantor, US trade representative, Mr Robert Reich, labour secretary, and Ms Carol Browner, head of the environmental protection agency, will all bring their persuasive skills before the House ways and means committee to argue that the pact will create more jobs than it will cost.

But the administration's efforts, now supported by pro-Nafta television commercials funded by private-sector backers, has yet to address increasing scrutiny of Mexico's political system.

"There is a lot of unease that the side agreements [on the environment and labour] don't address the corruption issue and the chronic abuse of labour rights and environmental standards," said Mr John Cavanagh, a fellow with the Institute for Policy Studies, which opposes Nafta. "In the end the side agreements have very weak enforcement powers."

Mr Ross Perot is also exploiting the administration's vulnerability on the corruption issue. The former presidential candidate has hit the air waves with a scathing attack on the multimillion dollar pro-Nafta lobby and the "hired guns" – former US officials – working for a foreign government.

Mexico's one-party rule has been referred to on several occasions by Senator Pat Moynihan of New York, chairman of the key Senate finance committee who seems at best an unenthusiastic Nafta backer. Meanwhile, anti-Nafta forces, led by Senator Ernest Hollings, chairman of the Senate commerce committee, are proposing a Nafta alternative: a common market which would require Latin American countries to embrace democratic reforms before they could join.

Congressman Henry Gonzalez, chairman of the House banking committee, has not taken a public position on the pact, but last week he held hearings which featured testimony about drugs and corruption in the Mexican financial sector.

Mr R Christopher Whalen, a former official in the New York Federal Reserve, warned of the lack of legal protection for private property and contracts in Mexico.

"At present there is no free trade south of the Rio Grande," Mr Whalen said. "The people of Mexico, who are the real victims of this hastily conceived 'free trade' agreement, are burdened by political oppression, a taxation regime that is called 'fiscal terrorism,' an over regulated economy, cartels and outright monopolies in many industries."

The US unions are so hostile to the labour side agreement, which was meant to pacify them, that the administration fears resources the unions have reserved for healthcare reform will be diverted into the anti-Nafta cause.

"Mexican workers cannot defend their own economic interests," says the labour-supported Economic Policy Institute. "Trade unions independent of government control are discouraged. The Mexican government intimidates union leaders and workers who do not toe the government line."

More than 300 US environmental groups yesterday attacked Nafta and asked the administration to renegotiate the deal. In a letter to the US trade representative they said the current pact made US environmental laws subject to legal challenge because they banned imports produced or harvested in environmentally damaging ways.

"By failing to include strong provisions to stop countries from creating pollution havens to attract industry, pressure will occur on local and state regulators within the US to reduce standards and enforcement here," the letter said.

Nafta opponents are also working closely with anti-government forces in Mexico. Mr Carlos Heredia, a visiting fellow at the Development Gap, a progressive policy group, is in Washington for a year because "I want it to be known that a pro-democracy movement – opposed to Nafta – exists in Mexico". He and others believe Nafta will reinforce the current political system.

Pro-Nafta forces are left to argue the link between free trade, prosperity and democracy. Mr Harry Freeman, a business lobbyist, said: "Isolation is not the way to prod Mexico into democracy and get rid of corruption. There is a higher probability things will improve with Nafta than without it."

Hurricane Lydia, gusting at up to 125 mph, was yesterday headed towards Mexico's Pacific coast, threatening flimsy homes and poor neighbourhoods from Tepic to Los Mochis, AP reports from Mexico City.

The National Water Commission, which tracks storms, said on Sunday the hurricane was "extremely dangerous" and issued an alert for coastal areas 400 miles south of the US border.

Thousands fled their homes as Lydia lashed the west coast of Mexico early yesterday with strong winds and heavy rain.

Officials in the state of Sinaloa were evacuating residents from low-lying areas in anticipation of heavy flooding. Police said an estimated 30,000 people in the Mazatlan area left their homes on Sunday night as the storm approached.


Kantor: before committee


Moynihan: unenthusiastic


Hollings: alternative

● NEWS IN BRIEF

ABB in Asian turbine venture

ASEA Brown Boveri, the Swiss-Swedish engineering group, has formed a joint venture with Kawasaki Heavy Industries of Japan to supply gas and steam turbines and boilers in Asia, Ian Rodger writes from Zurich.

The new venture, called Japan Gas Turbine, will be 60 per cent owned by ABB and 40 per cent by KHI. Its products will be based on ABB's latest gas turbine technology, revealed last week, and will be manufactured and assembled at KHI plants.

KHI has already built 14 gas turbines under an ABB licence.

Volvo to make buses in China

Volvo, the Swedish car and commercial vehicle maker, has formed a joint venture with the Xian Aircraft company to manufacture buses in China, writes Kevin Done.

Volvo said investment in the joint venture, to be called the Xian Silver Bus Corporation, would total $15m (£9.7m).

The initial target would be to produce 1,000 buses a year, rising to 3,000, with a workforce of about 1,100.

The venture will produce tourist and intercity buses, based on Volvo chassis and components and with aluminium alloy bodies, for both Chinese and export markets.

Sweden ends S Africa ban

The Swedish government ended its six-year ban on trade with South Africa yesterday, but the prohibition against investment remains in place, AP reports from Stockholm.

Swedish investment, banned since 1979, could resume by October, the trade minister, Mr Ulf Dinkelspiel, predicted. The minority coalition of Prime Minister Carl Bildt is believed to be awaiting a go-ahead from the African National Congress.

NEWS: THE AMERICAS

Clinton may indicate future relaxation of trade embargo

US to renew Vietnam ban

By Lisa Bransten in Washington

PRESIDENT Bill Clinton must sign an order maintaining the US trade ban against Vietnam today.

Most analysts say he is unlikely to end the embargo, but congressional staffers believe he may offer a sign that the US will move toward further relaxation.

Hindering efforts to lift the embargo are continuing tensions about the fate of US prisoners of war and "missing in action" held at the end of the Vietnamese war.

Last week a document surfaced in Russia suggesting that Vietnam held more prisoners than it had previously admitted. Vietnam rejected the report, but it has "got people shaky again", said one Senate aide.

"There are a lot of people who will never be satisfied" that the Vietnamese have been open in dealing with the POW-MIA issue, said Ms Kathleen Bertelsen, an aide with the House subcommittee on economic policy, trade and environment.

A commission headed by Senator John Kerry that found no evidence that Vietnam still held US prisoners "relaxed some members of Congress," Ms Bertelsen said. But there would not be wide support in Congress for lifting the embargo until "the bulk of [members] feel relatively comfortable that MIA-POW [representatives] will not come to their town meetings and start screaming at them."

Today is the date on which the president must annually renew the list of countries with which trade is barred under the US Trading with the Enemy Act.

Some elements of the embargo have been relaxed already. Last year President George Bush allowed US companies to sign, but not execute, contracts with the Vietnamese. Earlier this year the US dropped objections to allowing Vietnam to refinance its international debts, clearing the way for International Monetary Fund and World Bank loans.

US businesses are eager for Mr Clinton to allow trade in all but strategic sectors, before Europeans and others capture the Vietnamese market, according to Mr John Howard of the US Chamber of Commerce. "Our members have long recognised that unilateral sanctions like this only benefit our competition."

One action the president could take would be to allow US companies to undertake humanitarian and development projects in Vietnam. This would ease charges that US taxpayers are funding projects – through the World Bank – in which US companies are not allowed to participate.

After the flooding, town votes to move uphill

By George Graham in Washington

THE residents of Valmeyer in Illinois have voted to move, lock, stock and barrel, to higher ground rather than risk another flood like the one which swamped their town this summer.

More than half of the town's 346 homes suffered serious damage during this year's record flooding in the Mississippi and Missouri basins, and officials said the ebbing waters left behind a trail of devastation.

One official said about a third of the houses in Valmeyer were still flooded, but those householders who had been able to enter their homes had suffered "extreme shock".

"It's just totally destroyed," she said.

The town will now start buying land to the east, and could start building next spring. Valmeyer has entered a federal government buy-out programme in which the government would pay homeowners whose properties have suffered more than 50 per cent damage to relocate, rather than rebuild in the same vulnerable place.

Valmeyer is not the first town to decide that it was not worth staying in the flood plain. Soldiers Grove, in Wisconsin, moved after a devastating flood of the Kickapoo River in 1978.

The administration has urged government agencies to consider other approaches to limiting future flood damage than simply rebuilding flood walls and levees. Such alternative approaches could include moving or turning vulnerable farmlands into safety valve wetlands.

Environmentalist groups, such as American Rivers, have welcomed this new approach, saying levees along the Mississippi forced it higher than it would otherwise have gone.

Nevertheless, most of the flood-walls and levees built and managed by the federal government, under the auspices of the Army Corps of Engineers, are likely to be rebuilt.

Patagonia feels chill winds of a free market

John Barham on the fierce regional struggle to survive the rigours of Argentina's economic policy

PATAGONIA is synonymous with desolation and remoteness. Now, in addition to the daily battle against the elements, its inhabitants are struggling to survive the rigours of President Carlos Menem's economic policies.

Argentina's experiment with free markets halted hyperinflation and brought rapid economic growth. But for some outlying regions it has meant increased unemployment, a dwindling population and rising government deficits. Patagonia's economy is shrinking as the state which once subsidised the region withdraws.

Patagonia obsesses Argentines. It is considered a national disgrace that a region covering a third of the country and containing important natural resources should remain an empty wilderness more than a century after it was conquered from Indian tribes.

Although most Argentines prefer the comforts and bright lights of cities, they admire pioneers who occupy the rough interior. They even have a phrase – *"hacer patria"*, literally making the nation – for the defenders of Argentina's sovereignty in frontier regions.

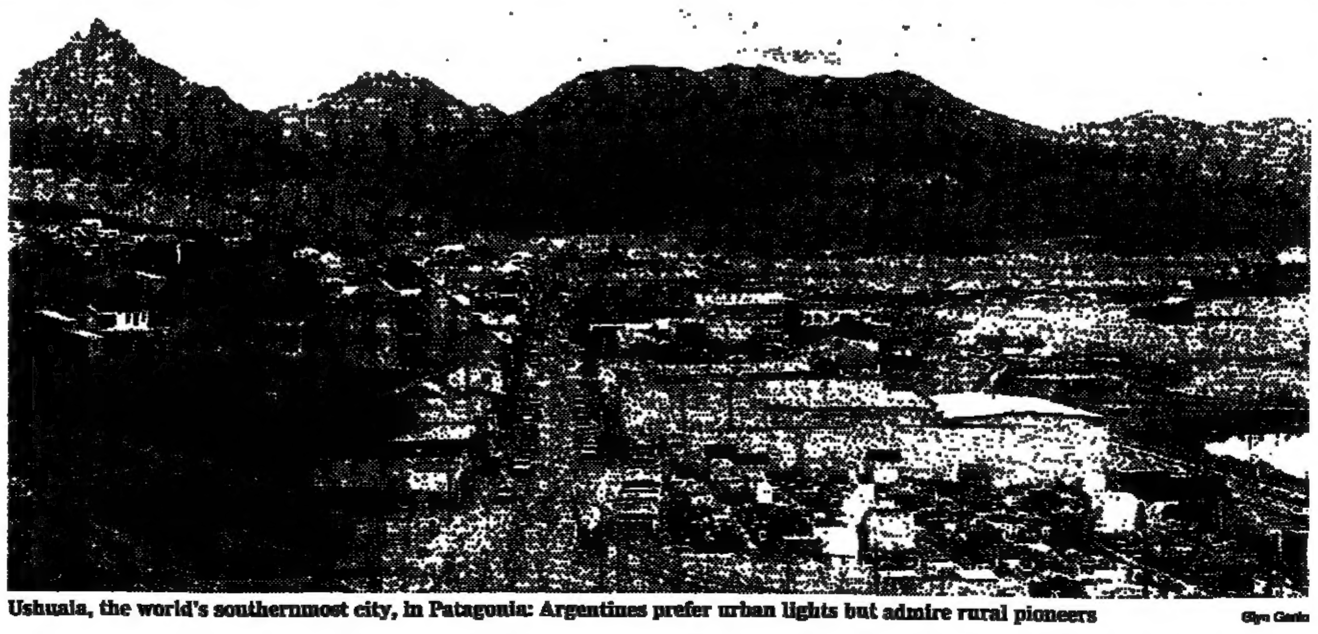
It is widely believed that foreigners, like the British, who once owned vast sheep farms in Patagonia, and Chileans covet Patagonia; Argentina and Chile almost went to war in the south 15 years ago. Chileans comprise a large minority in Patagonia and Tierra del Fuego, where they work for low wages in manual jobs scorned by Argentines.

Patagonia was first settled in 1865 by Welsh and Scottish immigrants who introduced sheep from the nearby Falkland Islands.

The discovery of oil in 1907 led to the creation of YPF, the world's first state-owned oil company, in 1922. YPF ran hospitals and schools and provided jobs. Later, governments offered a cornucopia of subsidies to attract companies and settlers from the north.

Invoking the threat from Chile, Buenos Aires ran loss-making coal and iron ore mines, subsidised the creation of textile and consumer electronics industries and backed an aluminium plant.

Now the state is retreating. Mr Domingo Cavallo, economy minister, has turned off the tap of subsidies, privatised YPF in June after it sacked 80 per cent of its employees, and is demanding provincial governments balance their books, even though local officials claim this would worsen unemployment, now topping 20 per cent. In the Patagonian province of Santa Cruz, a tenth of the population works for the government.


Ushuaia, the world's southernmost city, in Patagonia: Argentines prefer urban lights but admire rural pioneers Glyn Genin

The loss of subsidies and import barriers is suffocating the textile industry. Once-thriving fishing ports are hit by depressed prices and sheep farming is in terminal decline.

Chubut, one of Patagonia's three provinces, is running a 20 per cent budget deficit.

Mr Eliseo Moledo, who owns a Trelew car parts company, agrees with the market economy, but there is no local market and "without a market there can be no economy".

Mr Jorge Conrad, Chubut's despairing economy minister, asks: "If I had a million dollars, would I invest it in Patagonia?" Hardly pausing he says: "No. It's better to take the resources than process them here."

Argentina is a vast country, but a third of its population of 32.4m and much of its industry is clustered around Buenos Aires. Small companies in the interior are hobbled by huge distances, poor communications and high operating costs.

Bureaucrats worry that the provinces may be left behind by Buenos Aires, widening an already considerable wealth disparity. Mr Cavallo has responded by inducing the provinces (except those in Patagonia) to cut local taxes and regulations by offering bigger tax transfers from the centre. He says lighter tax and regulatory burdens will reactivate dormant economies.

The government claims Buenos Aires-based companies are already relocating to the interior. Deregulation is unshackling once-moribund mining, tourism, and energy industries. In Tierra del Fuego, where a previous military government set up a consumer electronics industry, output of TV sets and VCRs has risen 500 per cent in three years. Cordoba, home to Argentina's car industry, is thriving.

But supply side policies are no cure. The small northern province of Tucuman has balanced its books and cut taxes, but the government considers it a triumph to have kept unemployment flat. Malnutrition, poor education and declining industries are serious problems.

Patagonia's economy has stagnated even though the rest of the country has seen 20 per cent growth in the last three years. The regional problem is emerging as one of the government's critical policy challenges. Overcoming decline in the interior could well prove harder than crushing hyperinflation.

● NEWS IN BRIEF

Venezuela president seeks pact

THE president of Venezuela, Mr Ramón José Velásquez, has called for a national accord to ensure economic development and political stability, writes Joseph Mann from Caracas.

Speaking in Venezuela's capital, Mr Velásquez warned that the accord must be reached over the next few months, if a new president, to be elected on December 5, was to have enough support in Congress to continue with essential economic reforms.

The accord would be similar to Mexico's "social pact", with Venezuelan political parties, organised labour and business agreeing a set of economic and social goals.

The president added that a reform of Venezuela's 1961 constitution was necessary, and called for establishing the post of prime minister, a double round of voting for president, and greater power for state and municipal governments, in a country where presidential power has always been dominant.

Airline launches discounts

Northwest Airlines yesterday prompted another round of discounting among US carriers, undermining a tentative effort by some airlines last week to push through modest fare rises this autumn, writes Richard Waters from New York. Its discounts of 35-45 per cent on all domestic routes were promptly matched by TWA.

Brazilian party chooses leader

Relations between President Itamar Franco and Brazil's largest political party, the Party of the Brazilian Democratic Movement, looked set to remain tense after the party approved a new leader whose supporters back a split with the government, writes Angus Foster from Brasília.

Mr Luiz Henrique, a deputy from Santa Catarina state, won the presidency of the PMDB.

When you arrive in London expect heavy showers. Not to mention fluffy towels and a powerful hairdryer.

It's 7 o'clock in the morning. You've just arrived and it's time to turn your mind to the day's work ahead. Unfortunately your body's got other ideas.

After a night of travel what it really wants is a day of rest. Preferably with lots of hot water, fresh clothes and cups of coffee thrown in.

We can't provide the day of rest, but at least we can help with the other items. The new Arrivals Lounge at T4 really is a sight for red-eyes.

There you'll find piping hot showers with towels provided. And shampoo and shaving kits available on request. (Rubber ducks, regrettably, are not currently provided.) There's even a valet pressing service to smooth out the wrinkles in your clothes, while you attend to ones on your face. Any wrinkles in your work meanwhile, can be quickly ironed out by using the phones or fax machine.

And if you want to grab every precious last second of sleep on the plane, you can catch up on breakfast in the lounge. As it's open all morning, you can refuel anytime you want. There's fresh fruit for taste buds still needing a wake up call. And decaf, if by now you're in danger of becoming too wide awake.

Now there's no reason at all why you can't put in a full and productive day at the office. Sorry.

NEW ARRIVALS LOUNGE WITH HOT SHOWERS.

BREAKFAST BAR SERVING CONTINENTAL BREAKFAST.

CLUB WORLD

BRITISH AIRWAYS

The world's favourite airline

Corporate telecoms rivals to join official flag-waving trip to Malaysia and Japan

Major tour may spark company row

By Kevin Brown, Political Correspondent

MR JOHN MAJOR, the prime minister, may find himself in the centre of a commercial dogfight when he arrives in Kuala Lumpur next week on the second leg of an official visit to Japan and Malaysia.

In line with his policy of making every overseas trip a flag-waving exercise for British industry, Mr Major will be accompanied by a dozen leading businessmen led by Lord Prior, chairman of GEC.

Downing Street has refused to release the names of the others involved. However, Japanese officials confirmed that Mr Major will be accompanied by Lord Young, chairman of Cable & Wireless, and Mr Iain Vallance, chairman of British Telecommunications.

Cable and Wireless and BT are understood to be pursuing a share of a potentially lucrative contract to provide a second telecommunications network to compete with Telekom Malaysia, the monopoly domestic carrier. Telekom Malaysia is also seeking overseas partners to help develop its internation operations.

Lord Young would say only that Cable & Wireless was "trying hard" to win a share of the contract. Mr Vallance was not available for comment. Officials confirmed, however, that the companies were "not entirely happy" about the presence on the trip of both chairmen.

"Frankly, it is bizarre," said one. "This sort of thing really confuses foreign governments. How are they supposed to know which company is representing Britain? This sort of trip is quite important when you are dealing with government licences, but it's anyone's guess what the Malaysians will make of this."

The prime minister may also find himself mediating in Tokyo, where Mr Anthony Greener, chairman of Guinness, will press hard for changes in Japanese excise laws which discriminate against imported spirits such as Scotch whisky.

Guinness wants Tokyo to follow its decision earlier this year to abolish import tariffs on spirits by removing the excise tax advantage of up to 1000 per cent enjoyed by Japanese spirits.

The other businessmen accompanying Mr Major will include Sir Ralph Robins, chairman of Rolls-Royce; Mr John Russell, a former chairman of ICI Japan; Mr Peter Williams, chairman of Oxford Instruments; Mr Robert Evans, chairman of British Gas; and Mr Michael Perry, chairman of Unilever.

Unionists press for talks with premier

By Tim Coone

THE PROTESTANT Democratic Unionist Party in Northern Ireland has gone directly to Mr John Major, the UK prime minister, with what it claims are new proposals on the province.

A document called Breaking the *Logjam* was sent to Downing Street yesterday with a request from the Rev Ian Paisley, the party leader, for a meeting with the prime minister.

The move has in effect bypassed the Northern Ireland Office, which has been working for the past 10 months to get the main political parties in the province back around the negotiating table.

Sir Patrick Mayhew, the Northern Ireland secretary, brushed aside this latest snub. Speaking in Londonderry yesterday he said: "I am concerned only to secure what the vast majority of everyday people in Northern Ireland want, namely to see the politicians talking. I am very interested to see whatever proposals any party leader may have."

Mr Peter Robinson, the deputy leader of the Democratic Unionists, said yesterday: "These proposals are an alternative to a process which has failed in the past and which is bound to fail if it is tried again. We do not believe that the process will produce a way forward."

Sir Patrick and Mr Dick Spring, foreign minister of the Irish Republic, met in London last week and reaffirmed their commitment to restarting the "round-table" talks. Talks came to a halt last November without agreement, and the Democratic Unionists have since insisted that the Irish Republic must drop its territorial claim to Northern Ireland before talks can resume.

Lloyd's guide is welcomed

By Richard Lapper

CORPORATE FINANCIERS seeking to persuade institutions and individuals to invest in Lloyd's yesterday welcomed the publication of a new guide for corporate investors, increasing hopes that the insurance market can attract fresh capital next year.

The guide outlines the terms on which "incorporated members" with limited liability will *be able to trade at Lloyd's*. Final approval of the scheme, originally mooted 18 months ago, is dependent on a vote by Names, the individuals whose *assets currently support the* market, at an extraordinary general meeting scheduled for October 20.

Mr David Rowland, Lloyd's chairman, said existing Names would not be "squeezed out" by corporate capital, arguing that new corporate money would compensate for a decline in commitments by existing Names after losses of more than £6bn in five years.

Mr Peter Middleton, chief executive, said corporate investors would bring new confidence and security to the market.

"It is all along the right lines; we're reasonably confident," said Sir Laurie Magnus, director and head of corporate finance at Samuel Montagu, the merchant bank, which together with James Capel, also a Hongkong & Shanghai Bank subsidiary, is aiming to raise up to £250m to support a range of Lloyd's syndicates.

Mr Marty Dolan, part of the *corporate finance team at Salomon* Brothers, which has been working on a scheme to attract between \$300m and \$500m to Lloyd's – mainly from US investors – said: "The rules look good although they require detailed study."

The guide, based on a draft circulated in July, contained few surprises for bankers. Bankers caution however that success is not guaranteed and stress that the timetable for floating on the stock market is extremely tight.

According to the guide corporate members must have minimum net assets of £1.5m and must deposit an amount equal to 50 per cent of their capacity (the amount of premium they are allowed to underwrite) with Lloyd's. Syndicates are usually allowed to obtain no more than 50 per cent of their capacity from corporate members, and no more than 25 per cent from one corporate member alone.

Lloyd's of London may ask the agencies that manage syndicates *at the market and* brokers who trade there to make financial contributions to help settle long-running litigation involving Names – the individuals whose assets support the market.

Money could also come from two other sources: errors and omissions insurers, which insure agencies against legal *awards for negligence*, and the Lloyd's central fund, which meets claims when Names are unable to fulfil their obligations.

Britain in brief

Onshore oil licences awarded

The government has awarded five new onshore petroleum exploration licences in locations ranging from Yorkshire to an area between the North and South Downs in Surrey and Sussex.

In a statement Mr Tim Eggar, the energy minister, said the award of the licences to Eukan Energy and Altwood Petroleum was made outside the formal licensing rounds for exploration acreage.

It was the first use of the "out of-round procedure", *under which companies can* apply to the government for acreage in areas where they believe early exploration for oil and gas is merited.

The five licences are in the following areas:

- Yorkshire, north-east of Sheffield;
- the Staffordshire/Cheshire border north-east of Stoke-on-Trent;
- the Derbyshire/Nottinghamshire border north-west of Nottingham;
- Surrey and Sussex between *the North and South Downs.*

Unease over Scott inquiry

Growing unease within Whitehall, the government's administration, over the way Lord Justice Scott is conducting his arms-for-Iraq inquiry resurfaced on the first day of public hearings following the summer recess. Mr David Gore-Booth, *the UK ambassador to Saudi* Arabia told the inquiry team: "I think you underestimate the intelligence of Her Majesty's ministers." He also told the judge that he felt he did not adequately understand the workings of Whitehall.

Britannia buys Dutch unit

Britannia Building Society, the UK's ninth-largest, said it has agreed to buy Life Association of Scotland, the UK life insurance subsidiary ultimately owned by Dutch-based Internationale Nederlanden Group.

The move is part of a growing trend in UK banks and building societies to purchase their own life insurance subsidiaries and sell their products exclusively through their own branch outlets.

Clarke warns on public pay

Mr Kenneth Clarke, the chancellor of the exchequer, will today underline the government's commitment to tight control of public sector pay, in a move which seems likely to provoke further disputes between the government and teachers' unions.

He will tell the Teachers' Pay Review Body that the coming year should not be used to compensate public employees *for a year of pay restraint.*

Last year the government pre-empted the work of the review bodies, which make recommendations covering about one quarter of public sector employees, and imposed a 1.5 per cent limit on salary increases for public-sector workers.

This year, ministers have made it clear that they will not set a particular figure, but will expect what Mr Clarke has called the "current pay realism" to continue.

Importer for Ssangyong

IM Group, the vehicle importer and distributor, has signed a letter of intent with Ssangyong of South Korea to import to the UK four-wheel-drive rivals to Land Rover's Discovery and Range Rover models from next year.

The deal with Ssangyong, with a turnover \$142bn last year, would compensate IM for its pending loss of the Japanese Isuzu importership to Vauxhall, General Motors' UK subsidiary. The transfer to Vauxhall of the Isuzu franchise – GM has a substantial stake in the Japanese vehicle maker – is currently the subject of a legal dispute between GM and IM in north America.

Jump in used car market

Last month's unexpectedly strong upsurge in new car sales was more than matched in the used car market, providing a further indication that economic recovery is gaining momentum.

The number of used cars bought on credit – the industry's main means of tracking the used vehicle sector – jumped by 9.8 per cent to 86,955 in August compared with the same month a year before according *to statistics from* FPI, the vehicle credit monitoring organisation.

Andrew Holmes

Andrew Holmes, editor of the FT's Power in Europe newsletter, has died at the age of 36 following a long battle against brain cancer.

Bath suffers critical audit

World heritage site spoiled by beggars and cars, reports Roland Adburgham

TRAFFIC POLLUTION, aggressive beggars, gangs of drunken youths, ram-raiders, empty shops . . . it could describe one of Britain's more deprived urban areas. But this *is the genteel Georgian city of* Bath – a world heritage site which attracts 2m visitors a year – as depicted in a "city centre audit".

The audit, commissioned by Bath council, is by Ms Kimberly Paumier, appointed city centre manager in April to help develop an action plan to revitalise the city. An American, she is described by Bath's chief executive, Mr Clive Abbott, as someone who is "able to take a fresh and critical view".

Her first report, which went to the council's environment committee yesterday, acknowledges that "Bath is a beautiful city, gifted with resources and assets not found in most UK cities". It also praises the Roman and Georgian architecture, the quality of the shops and its culture – there are no fewer than 17 museums. The

report does not shy away from the negative aspects, however. It points to poor road connections and congested streets, high levels of pollution and a scruffy railway station. And although the city is described as one of the top retail locations in the county, Ms Paumier says a perception that rates and rents are higher than elsewhere has contributed to the number of vacant shops. *For retailers who remain in* business, ram-raiding by thieves is described as a significant security problem.

Other anti-social behaviour *is highlighted. The report says* there is concern over the number of drunks and travellers, who cause tension and animosity. Ms Paumier welcomes busking and street theatre as major assets for Bath, but adds: "The amount of aggressive begging is a growing threat to the city centre."

Ms Paumier adds: "Bath after dark can sometimes be a threatening place".

Among her proposed initiatives to overcome Bath's problems are a leisure and health spa to encourage overnight stays by visitors rather than day trips, more conference facilities and greater use of the river Avon, which runs through the city centre.

Decision soon on telecoms link for videos

By Raymond Snoddy

BRITISH TELECOM is pushing ahead with proposals to launch a national video-on-demand service down the telephone line, a venture that could cost several billion pounds.

A network to deliver products is already on the drawing board and exploratory talks have been held with a number of Hollywood studios and other owners, or brokers, of entertainment rights.

The aim would be to launch as early as next year a service which would compete with video shops and with cable and satellite television.

A decision on whether to go ahead is expected next month. A number of senior executives are believed to be enthusiastic about taking BT into the new business.

BT first said last year it had found a way of delivering a television service along existing telephone wires to the home as the same time as a conversation is taking place.

The system can be used to deliver anything from films and television programmes, to catalogues or holiday information on demand from either a large national or a number of regional databases.

The film or programme is shown in "real time" down the telephone lines but the signal has to be digitally compressed which means that "black box" decoders will be needed in the home for the "pay-per view" service.

If BT decides to go ahead there will inevitably be a regulatory row over whether the company has the right to run such a service under existing legislation.

US telephone companies such as Nynex and Southwestern Bell which are investing in developing cable franchises in the UK are expected to challenge BT in the courts.

Mr Jon Davey, director of cable and satellite at the Independent Television Commission, said yesterday BT could almost certainly secure a programme licence for its service.

It was less clear whether the telephone company would need a local delivery licence under the 1990 Broadcasting Act to retail programme services. "If a (local delivery) licence is needed it effectively stops BT," said Mr Davey. Such licences are not given in areas already franchised for cable television.

Under the Duopoly Review of March 1991 BT is not allowed to move into cable television for at least 10 years.

Manufactured goods prices increase slightly

By Emma Tucker, Economics Staff

A VIRTUAL standstill in the prices of manufactured goods last month confirmed the weakness of inflationary pressures in the economy.

In spite of growing domestic demand, the prices of finished manufactured goods were only marginally higher in August, according to official figures.

The output price index rose 4.3 per cent in the year to August compared with a revised 4.2 per cent in the year to July.

Although this was the highest rate for two years and one percentage point higher than the rate of increase early this year, the slow growth of producer prices suggests manufacturers have chosen to absorb the higher cost of imports that followed the devaluation of sterling a year ago.

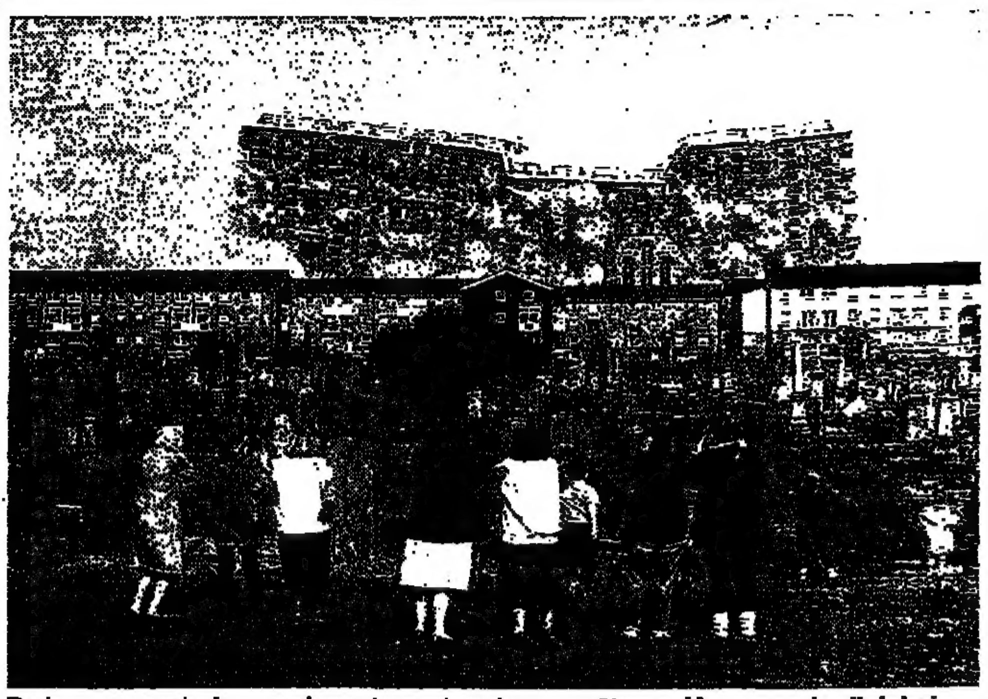
Excluding food, drink, tobacco and petroleum – volatile elements that are believed to distort the underlying picture of inflation – the index rose by 0.3 per cent month-on-month to give a 2.6 per cent increase in the year to August. This compared with 2.5 per cent in the year to July.

The prices of raw materials and fuel used by manufacturers fell by a non-seasonally adjusted 1 per cent in August compared with the previous month. Compared with the same month a year before, producer input prices were up 6.2 per cent compared with 6.3 per cent in July.

The Central Statistical Office said the month-on-month fall largely reflected seasonal falls in the prices of home-produced food manufacturing inputs. On a seasonally-adjusted basis, input prices rose 0.1 per cent month-on-month.

The level of input prices has remained roughly stable since March after rapid gains immediately after devaluation. A breakdown of the figures shows that most of the annual increase in input prices reflects sterling's depreciation, with sharp year-on-year rises in the prices of imported foods and basic materials such as chemicals and metals.

The latest figures show that although producer price inflation is creeping upwards, manufacturers have not responded to last year's devaluation by raising their prices sharply.



Doctors were yesterday carrying out a post-mortem on a 61-year-old woman who died during a controlled demolition, pictured above, in Glasgow's Gorbals suburb. She was standing at what was considered a safe distance from the 19-story tower blocks destroyed. Four other people were hurt

Companies invest 6% less in West Midlands

By Tim Burt

CAPITAL INVESTMENT by quoted companies in the west Midlands has fallen by 6 per cent on average over the past year, the third successive annual decline as the region's industry struggles to overcome the recession.

Smaller companies – those with a market value of less than £50m – were hit by faltering demand and cut their spending by more than 25 per cent according to the annual report on the regional economy by KPMG Peat Marwick, the accountancy firm.

Total cash spending on acquisitions, meanwhile, fell by more than 40 per cent to £557m during the year.

KPMG, which based its report on the latest results of the 125 quoted companies based in the west Midlands region, said falling expenditure was a realistic indicator that the economy was still in recession.

Although it drew some comfort from a 7 per cent increase in overall turnover and a marginal fall in pre-tax profits, down to £1.85bn compared with £1.86bn last time, the accountants said they were concerned by the inability of some sectors to exploit the signs of recovery elsewhere in the country.

The worst hit sectors were the motor industry and construction and property. They had suffered from squeezed margins, reduced demand and high borrowing levels.

Their poor performance had been offset only by strong results among retailing, utility and electronics companies, the report said.

Building costs 'may rise 4% next year'

By Andrew Baxter

CONSTRUCTION costs may rise by nearly 4 per cent next year because contractors can no longer absorb the rising prices of building materials, a Royal Institution of Chartered Surveyors survey indicates today.

The institution's latest quarterly survey of building costs says contractors face growing pressure as material price increases erode profit margins. "Over the next two years, the price of materials is expected to rise above the general rate of inflation," said Mr Christopher Vickers, the institution's construction spokesman. "As a result the bubble will burst and contractors, unable to absorb rising costs, will be forced to increase their bids for tender."

The study highlights an issue of growing concern for building contractors. Building materials prices fell steeply in the early 1990s, but have recently begun to rise again.

Throughout the recession, intense competition in the construction industry has forced tender prices down, and contractors have had little or no hope of passing the materials price increases on to customers.

The institution's survey shows that tender prices have stabilised at early 1987 levels, ending three years of decline. The cost of building is 23 per cent lower than the peak levels recorded in 1989.

The institution says tender prices were unchanged in the second quarter of this year compared with the previous quarter. It expects them to hold steady until the first quarter of next year.

Then, however, increasing material and wage costs will prompt a resurgence of tender price inflation, it said.

The institution says building material prices are expected to rise by 5.3 per cent in the 12 months to the third quarter of 1994, followed by a further 5.5 per cent increase in the 12 months after that.

Telephone company discovers someone else on the line

The former monopoly provider now has rivals. Andrew Adonis finds that overseas companies hold many of the franchises

UNTIL RECENTLY most UK householders had no choice but to use telephone services supplied by British Telecommunications, the company that was formerly the state-owned monopoly provider in most of the country. BT's main rival, Mercury Communications, was considered something for businesses only, and cable companies were almost nowhere.

No longer. Mercury now has 375,000 domestic subscribers linked to its trunk network. Cable companies, building local telephone networks across Britain's urban areas, have signed up 164,000 residential customers – more than treble the tally of a year ago.

That is just the start. Most new phones have a blue button, giving direct connection to Mercury for £11.75 a year.

For those with old phones, a new Mercury service will enable about half of all BT subscribers to use Mercury by dialling 132 before their long-distance number. By the end of the year the "132" facility will be available in most areas with modern telephone exchanges. Londoners can sign up now, and a marketing blitz is imminent.

As for cable, 14.5m homes are covered by franchises granted to companies to build combined cable telephone and television networks. A total of 27 companies – 20 of them north American – have 127 franchises between them. Networks are under construction in 62 areas and others will start later this year. Virtually all cable subscribers have severed their BT connections, relying for their long-distance calls on inter-connection agreements negotiated by the cable companies, mostly with Mercury.

The sight of yet another outfit digging up the streets has not endeared the cable companies to their potential customers. And once the roads are re-surfaced many are reluctant to ask about the services for fear of invasion by sales teams. The salespeople come anyway.

Nynex, the US-owned cable operator, is constructing 18 networks in the UK. Mr Eugene Connell, Nynex's UK director said: "We plan to spend around $3bn in the UK over the next five years – our commitment is total." To Nynex's surprise, cable telephone is proving more popular than cable television. One of the 18 networks will be in Portsmouth on the south coast of England, where 38 Nynex "cable advisers" are trudging the streets with glossy brochures showing large savings on phone bills and the benefits of having 29 basic TV channels and a further six premium channels.

A few months after their initial foray the advisers go back to "re-market". One city area re-marketed in July was reporting total take-up of more than 38 per cent. Telephone was again the best seller, attracting 35 per cent of homes visited compared with 32 per cent for cable TV.

"Without the advisers, we'd get nowhere," says said Mr Karl Gross, managing director of the Nynex's Solent franchise and a former Unilever executive. "We need them to get over people's hesitation that we're double-glazing merchants."

Portsmouth is Nynex's most advanced network, but Blackburn, Brighton, Bromley, Derby, Bolton and north Surrey are progressing. The jewel in the company's UK crown is Manchester, where work will start later this year.

MANAGEMENT: THE GROWING BUSINESS

In the super league

Britain has a "super league" of middle-sized companies capable of making a considerable contribution to employment and economic growth but which have been overlooked in the enthusiasm for small businesses.

This is the conclusion of a survey* of 3,500 fast-growing middle-sized companies – dubbed the "super league" – by 3i, the development capital group, and Cranfield School of Management.

The typical managing director of these companies is aged between 45 and 50 years and has worked for 10 years in the same industry. "Whizz kids are rare," the report's authors comment.

The researchers sought out from records at Companies House profitable, privately owned businesses which had achieved sales growth of at least 25 per cent a year over a two-year period – 1989 and 1990. They selected companies with turnover of between £500,000 and £100m at the beginning of the period.

Nearly 3,500 companies or 11 per cent of the total met these criteria. Their aggregate turnover doubled to £18.4bn over the two years.

The super-league companies provide employment for 244,000 people, a 30 per cent increase over the two years.

Twenty six per cent were in manufacturing compared with 10 per cent for the UK as a whole. Twenty nine per cent of the companies were engaged in distribution, 18 per cent in construction and 16 per cent in transport and other services. The average gearing of these companies was 1.08 compared with 0.5 per cent for all companies.

As a whole the middle-sized sector is numerically weak in the UK and suffers from a lack of public attention and encouragement, 3i said. "If the UK authorities are seriously interested in promoting growth and creating jobs then this neglect must be abandoned," it added.

**Super League Companies. 3i Cranfield European Enterprise Centre, Cranfield, Bedford, MK43 0AL. Free.*

CB

Charles Batchelor answers queries raised by the Inland Revenue's new Pay and File system

A taxing time ahead

"THE NEW SYSTEM GIVES ME A LOT MORE TIME TO DEVISE PENALTY CHARGES."

On quiet days accountants have been known to mull over the story of the legendary company which has never agreed a corporation tax assessment with the Inland Revenue since 1965 when the tax was introduced in the UK. If that company does exist, it is in for a shock.

From the start of next month the present system of paying corporation tax is to be replaced by one known as the Pay and File method. Out goes the present procedure which can involve a Revenue assessment, a preliminary payment accompanied by an appeal and final agreement on the tax liability 12 to 15 months after the year-end.

In comes a system requiring companies to assess their own liability for tax coupled with a prompt payment of the amounts due. There will still be room for later adjustments but the Revenue's intention is to speed up the whole process of calculating and collecting corporation tax.

At present three-quarters of the 800,000 tax assessments issued annually are estimated. The new system will put a greater responsibility on the company to get the calculation of its tax liability right the first time.

Not only does Pay and File mean that the Revenue gets its money sooner. It also frees tax inspectors to devote more time to making inquiries and pursuing investigations, warns John Whiting, tax partner at accountants Price Waterhouse.

Companies should enjoy the benefit of having a clearer view of their tax affairs and will also be freed from the administrative burden of the present system. But they may also end up paying their tax a little earlier and would be well advised to bring their tax affairs up to date before the new system comes into force.

Seventy per cent of the effort which goes into computing a company's tax liability is taken up by data collection, says Richard Collier-Keywood, tax partner at Coopers & Lybrand. Relatively minor changes to a company's systems can lead to big savings in the work involved, he suggests.

But companies are often slow to respond to the details of tax changes and many have still to take action, notes Joy Svasti-Salee, tax partner at KPMG Peat Marwick.

Pay and File is only one in a series of tax changes which companies have had to absorb in recent months. At the start of the year they had to deal with a radical change in the VAT system to coincide with the launch of the European single market while an unusually fat Finance Act brought in a raft of changes in many areas.

Nor are companies the only ones to suffer. Details of a new system of self-assessment for the unincorporated business and the self-employed are expected in the November budget. Implementation will probably be delayed until 1996-97 so small businesses will have a breathing space.

Q. What will be the main changes brought about by Pay and File?
A. Companies will be required to assess their own tax liability with a greater degree of accuracy. Tax will have to be paid within nine months of the year-end and the return submitted within 12 months of the year-end.

Q. When will the new system take effect?
A. It will apply to accounting periods ending on or after October 1 1993. There will be no transitional arrangements.

Q. Will the new system affect the amount of tax I pay?
A. There will be no change in the way your tax liability is calculated by the Revenue. Only the administration and payment procedures will change.

Q. Will assessments be abandoned altogether?
A. No. An assessment will be issued once the Revenue has agreed your liability. But the number of estimated assessments should be significantly reduced – though they may still be needed in cases of dispute. The normal appeals procedure will continue to apply.

Q. What happens if I do not submit my return on time?
A. Automatic penalties will be levied for late filing, starting at £100 and rising to £1,000 plus 20 per cent of the unpaid tax for longer delays and repeated failures. The penalties start low but can build up rapidly if a company fails to keep to deadlines.

Q. What happens to the present system of charging interest if payment is delayed?
A. Pay and File should lead to a simpler and more immediate system for calculating interest on late payments and overpayments. Interest on tax paid late will run automatically from the date payment was due to the actual date of payment. The Revenue will pay interest on any over-payment you make but at a lower rate than that charged on late payments.

Q. What should I do if I realise I have not paid enough tax?
A. It will be to your benefit to make an additional payment immediately to avoid interest and possibly penalty charges. The Revenue will not prompt you to make additional payments.

Q. What should I do if I do not have all my figures ready in time to complete my tax return?
A. You should do your best to estimate your likely liability but you should explain why you are making an estimate and the basis for your calculations. Top up any under-payment as soon as possible.

Q. What if I think the inspector may not agree with my calculations?
A. You could submit your return well before the payment date so that contentious issues can be cleared up. This would minimise the risk of having to pay interest or penalties.

Q. I have been late in preparing for the introduction of Pay and File. What can I do to make up lost time?
A. You should make sure any tax backlog which has built up under the present system is cleared. The Revenue has said it will not accept a backlog from previous years as a reasonable excuse for failing to submit a return on time.

You should also review your accounting systems to ensure they can produce the information you need. You should plan a timetable for producing future accounts and tax returns. It may make sense to allocate responsibility for understanding and handling Pay and File to one or two people in your company.

Free booklets/fact sheets on the subject of Pay and File are available from many accountants. They include: 'Pay and File. It's nearer than you think.' Price Waterhouse. Tel. 071 939 3000; 'Pay and File. Managing the Transition.' Coopers & Lybrand. Tel. 071 583 5000; 'Business Tax News October 1992 Edition.' KPMG Peat Marwick. Tel. 071 236 8000.

In a Nutshell

Growing optimism over prospects

Small businesses have become more optimistic about their prospects and one in four is now planning to expand over the next six months, according to a survey of more than 1,200 businesses by National Westminster Bank. The findings of this survey, carried out in July, showed an improvement on January 1993, when only one in five small firms had plans to expand.

Closer analysis showed that the "smaller" small firms were more cautious, with only 20 per cent of those with turnover of less than £50,000 planning to expand, while 37 per cent of those with sales between £500,000 and £1m had similar plans.

Optimism was highest in London and the east Midlands where just over one third of small firms planned to grow and lowest in Yorkshire (18 per cent) and Lancashire and the north-west (21 per cent each).

Contact Jennifer Johnston, NatWest Bank. Tel. 071 454 3422.

Fund sows seeds of consistency

Start-up companies have missed out on the growth of Britain's venture capital industry in recent years. As venture funds have grown it has become uneconomic for them to devote much time to time-consuming small investments.

One fund which has displayed remarkable consistency in backing early-stage businesses has been the Seed Capital Fund, managed by Lucius Cary, publisher of Venture Capital Report, which attempts to unite entrepreneurs and investors.

Cary is currently raising his fifth and largest fund yet and has set a target of £2m. Two large institutions have already promised £1m.

Seed Capital's ideal company is innovative, with a technology base and within easy reach of Cary's offices* in Henley on Thames. The larger fund will allow Seed Capital to follow up its initial investment, typically around £50,000, with further funds when necessary, says Cary.

**Boston Road, Henley on Thames, RG9 1DY. Tel. 0491 579999.*

Closer links help boost business

Ninety-eight per cent of companies which established close "partnership" relations with their suppliers or customers achieved substantial business improvements, according to a survey by Partnership Sourcing, a joint CBI/Department of Trade initiative.

Partnerships involve customers working closely with suppliers in fields such as product development, deliveries and marketing (see this page August 3). Of the 356 companies questioned 85 per cent said they had improved their service to customers, 75 per cent had cut costs, 72 per cent had reduced stocks and 70 per cent had improved quality.

One trend to emerge from the survey was the need for purchasing departments to become less clerical and more strategic in their approach.

Partnership Sourcing. Tel. 071 379 7400.

VAT moves 'a timid step forward'

The government needs to be far more radical in its proposals for abolishing the small firms audit if it is to stimulate enterprise, according to a report by the Small Business Bureau, a Tory party organisation which lobbies for the sector's interests.

The bureau describes the government's present proposal, to exempt companies with an annual turnover below the VAT registration threshold of £37,600 as "a timid step forward". The Department of Trade and Industry's thinking appears "woolly and lacking in commercial reality," it adds.

It calls for the audit to be removed as a mandatory requirement for all companies defined as "small" by the Companies Act. This would extend exemption to companies meeting at least two of the following requirements: sales under £2.8m, a gross balance sheet of less than £1.4m and fewer than 50 employees.

**SBB Policy Paper No. 1. Audit and Accounting Requirements for Very Small Companies. Suite 46, Westminster Palace Gardens, Artillery Row, London SW1P 1RR. £5.*

BUSINESS OPPORTUNITIES

READERS ARE RECOMMENDED TO SEEK APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

AN INTERNATIONAL PROFESSIONAL ASSOCIATION SEEKS AN EXTERNAL SOLUTION FOR ITS ADMINISTRATION VIZ.:
- Collection of membership dues
- Accounting
- Maintenance of membership records and addresses
- Planning and organisation of its records and addresses
- Planning and organisation of its conventions and meetings
- Membership bulletins
- General administration and correspondence

Proposals, please to Box 197-CD13 Publicitas Postfach 591, CH 8021 Zurich

UP TO 40% INTEREST!
Interested?
Successful Experienced residential Developer with forecast profits for 93/4 of £1.6M seeks financial partners with substantial cash resources to assist with the funding of further Residential developments in the south of England
Legal Charge & Personal Guarantee Available.
Principals contact:
Mr D Lawrence, Managing Director
Parish Quality Homes, Parish House, Pelham Court, London Road, Marlborough, Wilts SN8 2AG
Tel: 0672 516510 Fax: 0672 511902

HAVE YOU CONSIDERED DOING BUSINESS IN INDIA?
Why not set up business in one of the fastest growing economies in the world?
Due to our excellent connections and experience in technology transfer in this market, we can assist in the setting up of manufacturing or the marketing of your products in India.
For further information contact: Robert Spencer, Spencer International
Telephone: (0753) 887214 Fax: (0753) 880432

COLOUR VGA 14" MONITORS
SAMSUNG OEM manufacture
- Low radiation MPR II standard
- Tilt & swivel
- Badged APPLE
- IBM compatible
- TUV & GS approvals
Phone or fax for full specifications
£105
Price each per container. Smaller quantities by negotiation
WIDE CARRIAGE PRINTERS
CYRILLIC & ROMAN character sets £59
Phone +44 628 782233 or Fax +44 628 781555
PST (Trading) Ltd. • Priors Way Maidenhead • Berks SL6 2HP • UK
VOLUME BUYERS ONLY

GREEK ORGANISATION seeks partnership with qualified firms to compile GREEK LAND REGISTER. Previous experience essential. Apply: P.O. Box 3679, Athens, Greece.

COMMERCIAL FINANCE/VENTURE CAPITAL, sensible rates, sensible fees, Anglo-American ventures Fax: 0924 201377

OUR COMPANY, THE INTERNATIONAL SUBSIDIARY OF A MAJOR INVESTMENT TRUST, MAJOR PLAYER IN EXCHANGE WITH ASIAN COUNTRIES (CHINA, INDONESIA, KOREA...) SEEKS FINANCIAL INSTITUTIONS AND BANKS WITH A VIEW TO DEVELOPING ITS ASSETS FINANCING & LEASING DEPARTMENT MERGERS OR ACQUISITIONS WELCOME.
Write to Box B1658, Financial Times, One Southwark Bridge, London SE1 9HL.

VCR Does your business need capital? Active private investors & companies have cash to invest. Tel 0491 579999

PARTNERS REQUIRED
International Finance Consultancy with 35 offices in the UK and Northern America. We offer specialist consultancy advice to small/medium sized businesses. We require additional partners for our global expansion programme. Our partners are senior executives with General Management, Marketing, Finance background. We also require 3 partners based in the UK. Please write to MD.
ASC GROUP 24 RED LION STREET, LONDON WC1R 4SA
TELEPHONE: +44 71 831 1138

PRESENTATION MATTERS
We turn your business ideas and presentations into reality by providing excellent design, visualisation and presentation management at low cost
[illegible]
CALL PRESENTATION MATTERS
081 875 1592 OR FAX 081 875 1593
INTERNATIONAL
24 HOUR SERVICE AVAILABLE

HELP
Former M.D. of major advertising agency offers grey hairs, wisdom, marketing experience and business development skills to companies needing weight without overhead. From a day a month. London and S.E.
Box B1478, Financial Times, One Southwark Bridge, London SE1 9HL

NON-EXECUTIVE STRONG FINANCE SKILLS
Former Chief executive of Merchant bank with successful track record developing businesses, now looking to offer time to companies needing weight to survive and grow but not requiring the full time overhead. From a day a quarter, to a week a month.
Write to Box B1495, Financial Times, One Southwark Bridge, London SE1 9HL.

SHIPPING INVESTMENT
Expanding Shipping Company offers tax effective investment opportunity in cargo ships trading in European niche markets. Complete ship management services offered.
Write to Box B1496, Financial Times, One Southwark Bridge, London SE1 9HL

ESTATE AGENT
in Home Counties. Equity available in new Ltd. Co. £20K required. Write to Box B1402, Financial Times, One Southwark Bridge, London SE1 9HL

INTERESTED IN THE RUSSIAN FAR EAST
If you are, I can help promote or support your activities in this region.
Mature businessman with wide international experience particularly in shipping, ports and materials handling. A frequent visitor to this area of growing importance with representative office in Vladivostok. Available any time, anywhere, to discuss ways in which he may be of help
PHONE OR FAX
+44 202 766 796

SUCCESSFUL PRIVATE COMPANY
seeks outside investors to participate in commercial property ventures. The company has a proven track record and offers security, a fixed rate of return and a share of profits.
For further details contact
D.C. Bennett, 9/10 Frederick Road, Birmingham B15 1JD
Phone: 021 455 9050
Fax: 021 456 3080

STOCKS WANTED
We have an urgent need for a wide variety of surplus stocks and clearing lines to service our overseas markets. We are looking for textiles, consumer goods, raw materials, manufacturing plant and equipment, in fact anything from A-Z. Nothing is too large to be considered. We can guarantee export, secured payment, total confidentiality, contact:
Robert Werner Limited, Werner House, Sherborne Street, Manchester M8 8NE
Tel: (0)61-833 0331 Fax: (0)61-832 0835
Telex: 667472 WERNER G

BUSINESS TRAVEL AGENCY
Corporate investor, with own travel account £500K + P.A. sought as equity shareholder in business travel agency.
Write to Box B1472, Financial Times, One Southwark Bridge, London SE1 9HL.

CLEAN PROPERTY DEVELOPMENT CONSTRUCTION Co
With circa £5M AGREED TAX LOSSES
With or without Freehold Assets
Write to Box B1680, Financial Times, One Southwark Bridge, London SE1 9HL

BUSINESS PROPOSITION
invited by pharmacist wishing to roll-over Capital Gain. Funds available £100,000+ Import/Export. New Products or pharmacy-related projects preferred.
Contact Bhagani & Co, Station House, 11 Masons Avenue, Harrow, Middlesex HA3 5AH

ELECTRO-MECHANICAL MAINTENANCE CONTRACTS PURCHASED FOR CASH.
Reply to: Box 1477, Financial Times, One Southwark Bridge, London SE1 9HL

DEBT RECOVERY
Established debt recovery, company search and reporting agency (£ 1m + T/O) seeks partner/equity funding to expand existing levels of business. Replies to:
Box 1480, Financial Times, One Southwark Bridge, London SE1 9HL

Industrial Property
Comprising four factory units, fully let, part PLC covenant, producing £98,000 per annum. Would consider merger or outright sale. Suitable for family trust. Adjacent Gatwick airport. Private sale, no agents. Box No: B1481, Financial Times, 1 Southwark Bridge, London SE1 9HL

CHANNEL ISLANDS
Offshore Company Formation and Administration. Also Liberia, Panama & BVI etc Total offshore facilities and services.
For details and appointment write Croy Trust Ltd., Belmont House, 2-6 Belmont Rd, St Helier, Jersey, C.I.
Tel: 0534 78774, Fax 0534 35401
Tlx 4192237 COFORM C

Do you want to build a UK residential property portfolio with trouble free letting management and cost efficiency? Property consultant available now for short/long term projects.
Fax: 0734 868437.
Phone: 0860 906 186

COMMERCIAL FINANCE/VENTURE CAPITAL, sensible rates, sensible fees, Anglo American ventures Fax: 0924 201377

MD partner with marketing/computer background. To take complete control to market & develop unique database already installed in major Co's long term project.. Tremendous potential. Shares in LTD Co for sale. Fax 081 748 8389.

BUSINESS SERVICES

MIDDLE EAST
Big opportunities
Professional access to Middle East markets
Agency and Distribution placing available.
Principals only: Fax +49 6026 3719

NEW REGIONAL GRANT AREAS
GRANTS & SOFT LOANS ARE AVAILABLE FOR A WIDE SELECTION OF PROJECTS
EUROGRANT ACTS FOR SMALL AND LARGE COMPANIES AND HAS OBTAINED MILLIONS OF POUNDS FOR CLIENTS.
EG EuroGrant SEARCH LTD
FOR YOUR INFORMATION PACK: TEL: 0254 56557 FAX: 0254 697272

'NO DEAL NO FEE'
Company Sales & Acquisitions Absolute Confidentiality.
EURO-PACIFIC LTD.
Stable House, White Waltham, Maidenhead, Berks SL6 3RU
Tel/Fax. 0628-822694

DELAWARE (USA) CORPORATIONS
Quality confidential service. Reasonable cost. Call/Write for free brochure: Delaware Registry Ltd., PO Box 484-FT, Wilmington, Delaware 19899 USA.
Tel: 302-652-6532 Fax: 302-652-8798
800-321-CORP (USA only)

SENIOR EXECUTIVE COMPUTER INDUSTRY (Blue Chip)
Extensive European/International experience.
Sound technical/sales/marketing/general management background.
Seeks challenging interesting management role.
Any industry, any location.
Tel: +44-(0)-767-677795

YOUR OFFICE IN LONDON From 70p a day. Accom/Tel Ans/Tlx/Fax/Mail Box etc. Office Box. Tel: 071 436 0766 Fax: 071 580 3729

BUSINESSES WANTED

CONSIDERING A SALE OF YOUR BUSINESS?
You will only do it once, so it has to be right. As a professional firm with almost 100 staff you can be sure of the wide range of skills required to achieve the best price for your business and to structure the deal most tax effectively.
We have been retained by several hundred companies and individuals looking to acquire. We also use sophisticated search techniques to identify those prospective purchasers who are likely to value your business the most.
If you are considering a sale and your turnover exceeds £1m then we would like to meet you. Our charges are based largely on results, so you have little to lose.
For a confidential discussion without commitment please contact Gary Morley or Richard Coon at:
Blackstone Franks Barbican House, 26-34 Old Street, London EC1V 9HL Telephone: 071 250 3300 Fax: 071 250 1402
Authorised by the Institute of Chartered Accountants in England and Wales to conduct investment business.

WE ARE:
- A well established volume presswork subcontractor and sheetmetal fabricator
- Well financed
- Excellent profit record
- BS5750 approved

WE WISH:
to acquire companies or businesses which would ideally have some of the following attributes:
- be volume orientated
- have blue chip customers
- have relocatable manufacture
- have the potential to dominate a niche market

We have available up to £2 million. Please write to:
Box B1447, Financial Times, One Southwark Bridge, London SE1 9HL

Are you manufacturing or selling products involved in the caring and the maintenance of roads? If so, and if you are looking for a well introduced company to represent your products in Switzerland, please get in touch with us.
Cipher 44-133-117 Publicitas, PO Box, CH-8021 Zurich.

COMPUTER SERVICES GROUP
based in W. London wishes to acquire a small services business t/o upto £1M (not necessarily profitable) in
Consultancy
Training
Software
Contact GMA, Pilgrim House, Canute Road, Southampton, SO1 1AG. (0703 334634)
IT ACQUISITIONS SPECIALISTS

COMPANY ACQUISITION
Our client is a successful distribution company operating in the multiple retail and DIY sector, seeking to acquire companies in the same or related sectors with turnovers up to £5 million.
Write to Box B1491, Financial Times, One Southwark Bridge, London SE1 9HL

CONSUMER PRODUCTS COMPANY
Successful consumer products company supplying major U.K. multiple retailers seeks complementary business for acquisition or merger. Turnover up to £10m with established brands and distribution.
Write to Box B1485, Financial Times, One Southwark Bridge London SE1 9HL

U.S. PUBLIC COMPANY entering UK market requires individual or Group acquisitions of Garages/Petrol Filling Stations and Car Dealerships Immediate decisions. Box B1482, Financial Times, One Southwark Bridge, London SE1 9HL. Agents retained.

BUSINESS SERVICES

YOUR MAILING ADDRESS
in London, Paris, Berlin, Frankfurt, Madrid and 70 other top locations worldwide.
Call Regus on 071 872 5500

HARLEY STREET BUSINESS CENTRE. Fully serviced offices, business address, boardroom, all secretarial services plus free telephone and message taking for further details. Phone: 071 637 5505.

JAPAN MARKETING RESEARCH CO Branch formation, accommodation address. Details Target Marketing London and Tokyo Tel: 081 541 1641 Fax: 081 547 1424

MARKETING IN GERMANY. Instant Consultation BORMANN & GORDON Frankfurt/Main Tel. 49-69-7075197 Fax 49-69-7075190

HOTELS FOR SALE

FOR SALE
PRESTIGIOUS 4 STAR HOTEL
Stresa - Lake Maggiore - Italy. Freehold property, 120 beds, swimming pool, tennis courts, conference facilities, garden, annexe, outbuildings. For more information FAX Italy 0323 28550

BUSINESSES FOR SALE

P&A

THE ELECWIND GROUP OF COMPANIES

The Joint Administrative Receivers offer for sale as going concerns, the businesses and assets of the following companies based in North Derbyshire.

Nether Holdings Ltd - formerly Elecwind (Holdings) Ltd
- Freehold industrial estate in Clay Cross, Derbyshire
- 200 acres of agricultural land in Chesterfield
- Rental income of £180k per annum

Astwith Lifting Services Ltd - formerly Elecwind (Lifting) Services Ltd
- Specialists in all aspects of lifting gear
- Comprehensive fleet hire
- Based in Holmewood, Chesterfield
- Turnover of £740k per annum
- 9 specialist staff

Elecwind (Clay Cross) Ltd
- Specialist repairer of electric motors
- On-site maintenance of electrical equipment
- Based in Clay Cross, Derbyshire
- Turnover of £1.6m per annum
- 32 specialist staff

Eurodrill Equipment Ltd
- Manufacturers of drilling equipment
- Turnover of £1m per annum
- 12 specialist staff
- Based in Clay Cross, Derbyshire

Court Engineering Ltd
- General engineers
- Based in Clay Cross, Derbyshire
- Turnover of £570k per annum
- 15 specialist staff

For further information, contact the Joint Administrative Receivers – JH Priestley and BS Creber

POPPLETON & APPLEBY

93 Queen Street, Sheffield S1 1WF Tel: 0742 755033 Fax: 0742 768566

By order of F A Simms Esq., and J M Munn Esq. of F A Simms & Partners, Joint Administrators of

ROADEXPRESS LIMITED

Parcels collection and delivery contracts for overnight traffic available in the following areas:-

LONDON	READING
MILTON KEYNES	LEICESTER
PETERBOROUGH	COVENTRY
BIRMINGHAM	SHEFFIELD
LEEDS	DARLINGTON
NEWCASTLE	EDINBURGH
GLASGOW	

For further information please contact Mr. J.M. Munn at:-

F. A. SIMMS & PARTNERS
FAS
Insolvency Practitioners
Tel: (0455) 557111 Fax: (0455) 552572
Insol House, 39 Station Road, Lutterworth, Leicestershire LE17 4AP

By order of F A Simms Esq., and J M Munn Esq. of F A Simms & Partners, Joint Administrators of

COURIER & ASSOCIATED TRANSPORT SYSTEMS LIMITED (CATS)

Offer for sale the following undertakings in whole or in part:

1) Two fully equipped commercial garages in Coventry and Leyton, London.

2) Two established private hire operations in Coventry and Edinburgh.

For further information please contact N. C. Money at:

F. A. SIMMS & PARTNERS
FAS
Insolvency Practitioners
Tel: (0455) 557111 Fax: (0455) 552572
Insol House, 39 Station Road, Lutterworth, Leicestershire LE17 4AP

STRUTT & PARKER

Hertfordshire

BISHOPS STORTFORD GOLF CLUB AND RESIDENTIAL DEVELOPMENT LAND

Bishops Stortford 1 4 mile. M11 (J8) 1 2 mile. Stansted Airport 3 miles

- A high quality, 18 hole golf course established in 1912
- Outline Planning Consent for 20 substantial residential units on a site including the clubhouse and 2 residential properties.
- Further land with Future Development Potential

FOR SALE AS A WHOLE OR IN 3 LOTS

London Office: 13 Hill Street, Berkeley Square, London W1X 8DL Tel: 071 629 7282

Chelmsford Office: Coval Hall, Chelmsford, Essex CM1 2QF Tel: 0245 258201

Ref: IBF 51532

BUSINESS FOR SALE

A1 Food Halls Ltd

The Joint Administrative Receivers offer for sale the buildings and assets of A1 Food Halls Limited (either separately or in entirety) at the locations listed:

- Bedford - long leasehold office and warehouse, approx 44,600 sq. ft.
- Bedford - freehold retail unit, approx 3,700 sq. ft.
- Wolverton - freehold retail unit, approx 11,000 sq. ft.
- Eaton Sacon, Cambs - freehold retail unit, approx 6,450 sq. ft.
- Kempston - leasehold retail unit, approx 3,000 sq. ft.
- Biggleswade - leasehold retail unit, approx 4,250 sq. ft.
- Bedford - leasehold retail unit, approx 7,150 sq. ft.

All the above trading as A1 Food Halls.

- Newport Pagnall (leasehold franchise)
- Stevenage (leasehold franchise)
- Cherry Hinton (freehold investment)
- Trading stocks at retail units and warehouse
- Fleet of motor vehicles

For further details, please contact Paul M Davis, Joint Administrative Receiver, quoting reference number C2295, at Levy Gee & Partners, Wettern House, 56 Dingwall Road, Croydon, Surrey CR0 0XH.

Tel: 081-681 8389 Fax: 081-681 6402

LEVY GEE & PARTNERS
CORPORATE SUPPORT SERVICES
LONDON • MANCHESTER WORTHING • CROYDON

CENTRAL LONDON HOTEL

Approximately 115 en suite bedrooms
Three Star Standard
Well proven trading history
Vendor will manage, if required
Freehold
£6,250,000 subject to contract

Contact: Sole Agents Derek Gammage/Paul Bartrop

LONDON 071 629 8171 Knight Frank & Rutley INTERNATIONAL 20 Hanover Square London W1R 0AH

Dale Group plc
(In Administrative Receivership)

The joint administrative receivers offer for sale as a going concern the business and assets of the above Mansfield based designer, developer and manufacturer of hydraulic equipment for the coal mining and civil engineering industry.

- Current annual turnover of £5m
- 66,000 sq ft modern freehold office/workshop premises located near to J29 of the M1
- Heavy recent investment in modern plant/annual production capacity over £20m
- Reputation for quality, speed of delivery and innovative design
- BS 5750 part 1 accreditation
- Skilled workforce of 50

For further information please contact:
R J Rees or S D Maddison at Price Waterhouse, Victoria House, 76 Milton Street, Nottingham, NG1 3QY.
Tel: 0602 419321.
Fax 0602 475225.

Price Waterhouse

SPECIALIST STEEL FABRICATIONS

- Design and manufacture of bespoke steel moulds for pre-cast concrete and civil engineering markets, tunnelling equipment and medium/heavy steelwork.
- Wide range of established blue chip customers.
- Turnover £3.5 million.
- Profitable.
- Net assets £1.7 million including freehold site.

Vendors and their advisers should write to Marcus Moir at the address below.

Livingstone Fisher Plc, Acre House, 11-15 William Road, London NW1

LIVINGSTONE FISHER
The Acquisition & Disposal Specialists
A Member of FIMBRA

CHAIN OF 16 RETAIL TRADING ESTABLISHMENTS SITUATED IN THE SOUTH EAST

Our client is a long established family business currently trading. Their trade is related to the sale of children's and adults' clothing and associated products. Retirement prompts their wish to dispose of their interests.

Enquiries please from principals only to: Box B1493, Financial Times, One Southwark Bridge, London SE1 9HL.

FOR SALE
Niche mail order/retail supplier to craft industry

Consistent track record of growth, profitability and cash generation.

Turnover circa £250,000 suit owner/manager

For further information, please contact
Charles S Wright & Co
44-45 Water Street, Birmingham B3 1HP
Tel: 021 212 0433 Fax: 021 212 0488

FOR SALE
FINANCIAL DIRECTORIES

Well established titles no longer part of core strategy. Would fit very profitably into publisher with existing production and distribution system.

Write Box B1494, Financial Times, One Southwark Bridge, London SE1 9HL.

LADIES COAT AND SUIT MANUFACTURER FOR SALE

- Established Brand Names.
- Turnover circa £3m.
- High Gross Profit Margin.
- Attractive UK and Export Blue Chip Customer Base.
- Skilled Workforce.
- Good Current Order Book.
- Fully Equipped Modern Factory.
- Land and Buildings Available Separately.
- Audited Financial Statements available.

Principals only apply to Box B1431, Financial Times, One Southwark Bridge, London SE1 9HL.

FOR SALE

Profitable paint company in Hungary
Specialised in branded building paints T/O £1.5m.
Ready to benefit from World-Expo 1996 in Budapest.

Fax: 010 4156 720 471
Alwin Baumann

SPAIN

for sale, small ELECTRIC COMPANY Full activity, modern machinery and technology. Prestigious customers. Turnover 600.000 U.S.A. $

Contact: Fax: 34/1/501.81.92
P.O. Box 40047 - 28080 Madrid
Mr. Jeronimo Benito

INTERESTING BUSINESS FOR SALE OFFERING VERY COMFORTABLE LIVING

Owner wishes to retire at 70 will stay on for as long as needed Profits 35,000 B.T. Easily run from home by one or two persons male or female.

Principals only please write to Box B1373, Financial Times, One Southwark Bridge, London SE1 9HL

Niche market national business magazine for sale.
A5, bi-annual, 128 pages with over 100 top advertisers (33% repeat rate and 70% paid in advance).
Sept '92 - Aug '93 accounts showed £140,000 net turnover with £36,000 + profit (only 2 telesales staff). Tremendous potential to double /treble revenue by increasing tele-sales team.
Asking price £125,000 + VAT (fixed price).
Please reply to:
Box B1658, Financial Times, One Southwark Bridge, London SE1 9HL.

LEISURE

On the instructions of the Administrative Receivers

FOR SALE
HILPERTON MARINA WILTSHIRE

OPERATING BUSINESS INCLUDING:
MARINA, CANAL SIDE MOORINGS, VARIOUS COMMERCIAL PROPERTIES AND DWELLING

NEVILLE RUSSELL Chartered Accountants
Grimley J R Eve
0272-277778

POLICE APPROVED INTRUDER ALARM COMPANY FOR SALE.

Installations to BS 4737 standard. Notts, Derby and Leicester area. £30,000 annual maintenance income.

For further information Fax: 0602 424110 or write Box B1499, Financial Times, One Southwark Bridge, London SE1 9HL

FOR SALE
Janitorial Supply Co.

Home Counties base - Owner wishes to retire.
T/O £450,000 pa.
Strong multi-sector/product client base.

Write to Box No. B 1488 Financial Times, One Southwark Bridge, London SE1 9HL.

LEADING GREETINGS CARD COMPANY

Distributorship for sale in the Surrey area. Superb product and Company back-up and support.
Immense scope for expansion.
125 operating outlets, £1,640 per month GP.
Price £36,000
(incl stock/stands, value £10,000).
Tel: 081 332 0506
Fax: 081 332 1286

INDEPENDENT CHEMICAL LABORATORY & Cargo Survey Company for sale. State of the art instruments, international recognition & international clientele in oil & cargo survey, sampling, analyses, quality assurance. Pls call Mr S Papanikolas, Tel: +30-1-831 4831, +30-1-831 6876 Athens, Greece

BUSINESS ESTABLISHED 10 YRS in busy market town. James Herriot country. Described locally as "A Mini Harrods" annual turnover approx £500,000 9 yrs of existing lease for sale together with stock at valuation. Principals only write to Box B1677, Financial Times, One Southwark Bridge, London SE1 9HL.

GOOD OPPORTUNITY TO BUY retail and wholesale pet food business in Hertfordshire. Turnover £3,500-£4,000 per week. Quick sale £45,000 or nearest offer. Principals only - write to Box No. B 1670, Financial Times. One Southwark Bridge, London SE1 9HL.

Highly regarded independent Co wishes to sell N.W. based GENERAL WASTE DISPOSAL business in order to Focus on specialist niche. Long established, successful, now ripe for integration. Details to principals, at director level, only from:

Box B1486, Financial Times, One Southwark Bridge, London SE1 9HL

SUCCESSFUL, PROFITABLE multi-outlet franchised car rental operation based in the South. Rapid disposal required. Principals only. Write to Box B1490, Financial Times, One Southwark Bridge, London SE1 9HL.

AVIATION COMPANIES WANTED Operates or Support Services UK based. Write to Box B1671, Financial Times, One Southwark Bridge, London SE1 9HL.

COSSLETT (CONTRACTORS) LTD IN ADMINISTRATION

IAN CLARK ESQ., OF CLARK & CO, ADMINISTRATOR, OFFERS FOR SALE THE BUSINESS AND ASSETS OF THE ABOVE COMPANY LOCATED AT PONTYPRIDD, SOUTH WALES.

Principal features include:

- Coal Reclamation, Civil Engineering, Groundwork, Demolition, Plant Hire and Haulage Contractors.
- Turnover approx £10.9m pa.
- Long leasehold workshop, office and yard premises at *Pontypridd, 23,763 sq ft on site area 3.17 acres or thereabouts.*
- Existing contracts
- Skilled workforce
- Extensive range of modern contractors plant and earthmoving equipment, commercial vehicle fleet and ancillary equipment.

FOR FURTHER DETAILS PLEASE CONTACT:

Chris Hall
Bache Treharne
SURVEYORS VALUERS AUCTIONEERS
021-212 0005
FAX 021-212 0009
PEAT HOUSE, 45 CHURCH ST BIRMINGHAM B3 2RT

Ian Clark
CLARK & CO.
insolvency practitioners
0625 548180
FAX 0625 548503
P.O. BOX 35, 9 HALL ROAD WILMSLOW, CHESHIRE SK9 5BU

OFFICE EQUIPMENT

ITALIAN OIL COMPANY MOVES H.Q

AGIP/Ferrari

Large quantity of high quality stylish designer furniture. Executive & Boardroom seating, boardroom tables, operator seating, desking & workstations, screens, reception furniture, fire resistant cabinets, executive suites. Phone 081-549-9339

BANKRUPT STOCK TO CLEAR

General office and systems furniture, Desks, filing cabinets - executive furniture, screens boxed quality chairs from £25.00

Tel 081 743 2100
Fax 081 749 9500

FAXES

We purchase direct from the manufacturer and supply at TRADE PRICES. All prices are inclusive of V.A.T., Delivery and 12 months on site maintenance.

PANASONIC

KXF 2060 BE	£399.00
KXF 2090 BE	£440.00

SAMSUNG

SM 500	£299.00
SM 505	£319.00
SM 220	£349.00
SM 2500	£419.00

PLUS MANY MORE MODELS IN STOCK!
RING 061 237 3261 FOR MORE INFORMATION

CONTRACTS & TENDERS

Greater Manchester WASTE DISPOSAL Authority

ENERGY GENERATION FROM WASTE

The Greater Manchester Waste Disposal Authority (GMWDA) is responsible for the reception, treatment, transportation and disposal of about 1.2 million tonnes per annum of mainly household and civic amenity wastes generated by a population of about 2.2 million.

The Authority has already made intensive capital investment in reception/treatment facilities (including four wet pulverisation plants) and infrastructure for the movement of wastes and residues by road and rail, to secured disposal facilities at distant landfill sites.

The GMWDA has recently adopted a waste to energy option as part of its integrated waste management strategy and is seeking suitably experienced partners to develop a joint initiative.

Any party who may wish to express an interest in participating in such a project is invited to make a written application for a resume of the GMWDA's activities and related information and to submit an outline of their proposals to reach the Authority not later than 29 October 1993.

Greater Manchester Waste Disposal Authority
Blackfriars House, Parsonage, Manchester M3 2JA England
Tel: 061-832 2776 (00-44-61-832-2776)
Fax: 061-832 0547 (00-44-61-832-0547)

COURSES

CAN YOU FIND THE COLOSSEUM IN ROME?

CERAN LANGUAGES offers intensive residential courses in modern languages (40 lessons per week) which really work.

You also practice the skills you have learned every day from 8 a.m. to 10 p.m. in the company of your teachers. Immerse yourself in your new language for over 66 hours a week, and emerge, fully equipped to communicate effectively in today's multi-national environment.

Courses in French, German, Japanese, Spanish, Italian, Dutch and English.

FOR FURTHER DETAILS - CONTACT :

CERAN ARDENNES
266, avenue du Château
B-4900 SPA
Tél. (+32) 87 77 41 64
Fax (+32) 87 77 36 29

CERAN Since 1975

CERAN PROVENCE
B P 27/268
F-30130 PONT-ST-ESPRIT
Tél (+33) 66 90 33 66
Fax (+33) 66 90 33 69

CONTRACTS & TENDERS

MARKET TESTING OF INTERNAL AUDIT SERVICES

The Home Office is conducting a market test for the provision of internal audit services. The work mainly concerns the planning and execution of audits of operational and service activities in order to measure and evaluate the *adequacy and effectiveness of the* Department's internal control system. Audits will be carried out at Home Office establishments in Central London and at various locations throughout the United Kingdom.

A Notice has been placed in the Official Journal of the European Communities dated 9 September 1993. Tenders will be sought from suitably qualified and experienced private sector organisations. The existing in-house team will also be invited to bid. The proposed contract term is three years with the possibility of extensions. Organisations interested in tendering should have regard to the Notice in the Official Journal and respond by 4 October 1993.

Further information can be obtained from: Mr K Venoal, Home Office, Room 10/09 Riverwalk House, 157-161 Millbank, London SW1P 4RT. Tel: 071 217 3749. Fax: 071 217 3750.

The Home Office is an equal opportunities employer

Home Office

BUSINESSES WANTED

TRAVEL AGENCY

PRIVATE LEISURE GROUP SEEKS TRAVEL AGENCY ABTA/ATOL STATUS ESSENTIAL
Box No. B1497
FINANCIAL TIMES
Southwark Bridge
London SE1 9HL

BUSINESSES FOR SALE Appear in the Financial Times on Tuesdays, Fridays and Saturdays. For further information or to advertise in this section please contact Karl Loynton on 071 873 4780 or Melaine Miles on 071 873 3308

BUSINESS OPPORTUNITIES

WANTED - BILLIONAIRE ART-LOVER.

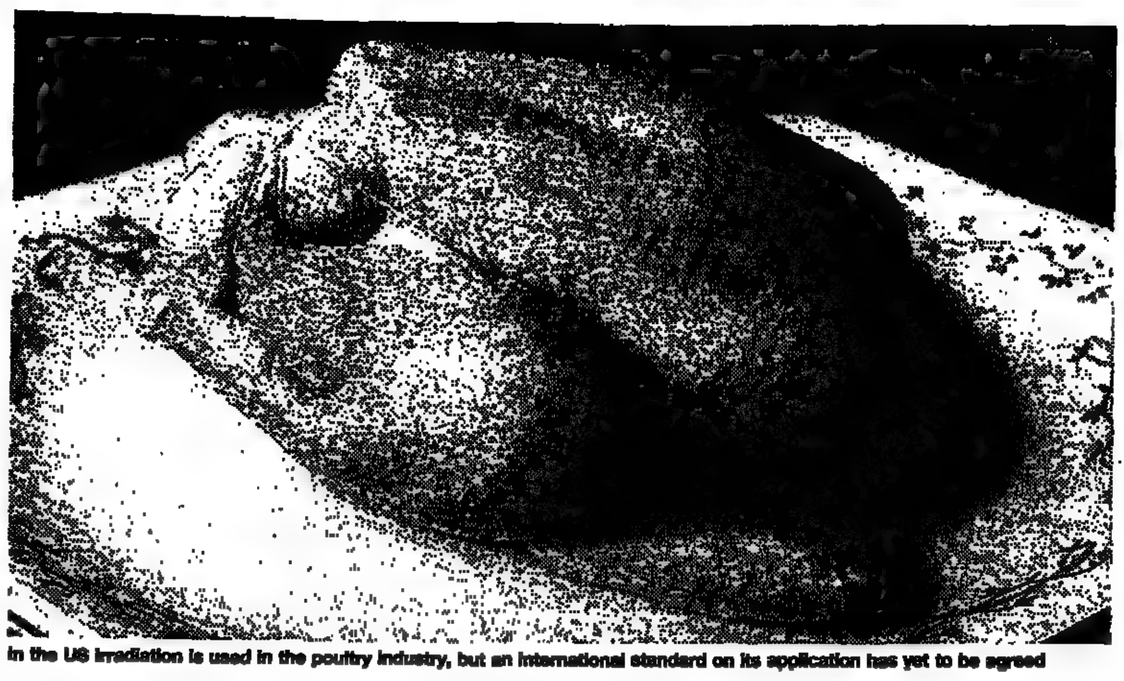
Distinguished playwright/author - *LONDON, BROADWAY, PARIS* - leaving England, due to health, is selling 51 percent to all works - past, present, future - *for* ½ million (25 percent - ¼ million)

Principals only write to Box B1498, Financial Times, One Southwark Bridge, London SE1 9HL

TECHNOLOGY

How is food affected by irradiation? **Della Bradshaw** looks at a debate that is turning into a trade issue

Meaty questions on the menu



In the US irradiation is used in the poultry industry, but an international standard on its application has yet to be agreed

The thought of eating beef full of hormones, genetically-altered vegetables or seafood dosed with radiation is viewed by many consumers with horror. But while the consumers' eye is focused on nutritional quality, the food industry sees some of the latest food technologies as potential trade issues.

On completion of the Uruguay round of the General Agreement on Tariffs and Trade, scheduled for December 15, rules will be implemented to define when treated foods can be legally banned from a country and when such a ban would be deemed a barrier to trade.

The aim of the new rules, according to a Gatt official, is to define a firm scientific basis for the protection of consumer health. "Our concern is that the trade side has to have a scientific base."

The test case for the new rules will probably be the continuing issue of hormones in beef, but food irradiation, in which the products are dosed with ionising radiation to kill microbes, looks set to provide more widespread debate.

Over the past decade irradiation has proven a veritable battle ground for scientists, conservationists and the fresh food lobby.

Proponents of the technology say that there are years of scientific evidence to prove that irradiation is safe. "There's probably more research gone into irradiation than any other food process," points out David Kilcast, manager of the sensory evaluation group, at the UK's Leatherhead Food Research Association.

"There is a massive body of scientific evidence to suggest that it's a useful food process," he adds.

Perhaps most significantly, many scientists believe that by killing off bacteria, irradiation could prove a useful tool in preventing the spread of food poisoning.

Anti-irradiation groups claim that proper research has not been done into certain aspects of the technology, such as its effects on the vitamin content of food, and that some of the scientific evidence is flawed. They also point out the danger of consumers believing that irradiation enables them to keep fresh food indefinitely, so resulting in food poisoning.

Furthermore, they question why food should need irradiation in the first place. "The public perception is that irradiation is only there to cover up defects in food," says Tony Webb, project officer at Australia's Food Policy Alliance, which combines the interests of trade unionists, farmers and others. "People don't want food to hang about on shelves. They want shorter shelf lives rather than longer ones."

The consumer, he says, wants foods produced with fewer pesticides and additives using high-quality farming practices and processing methods. That frequently adds to the expense of food production.

If food producers are allowed to promote unhygienic food production and then clean up the food with irradiation, Webb reasons, then they are undercutting environmentally sound food practices.

"It's as direct a distortion of trade as government subsidies," he argues. "The issue is about fair trade." Webb believes that the whole agenda should be turned on its head.

Australia has now become the focus point for the acrimony in the food irradiation debate, following the Australian government's decision to order a moratorium on food irradiation in 1989. This was followed by a request to the World Health Authority to produce the definitive scientific report on food irradiation's effect on the nutritional value of foods.

The first draft report was published in spring 1992, but the Australian government, which funded the report, was only allowed by the WHO to sit as an observer in the consultation procedure. A preliminary final report was sent to the Australian government towards the end of 1992, but with the proviso that only the government and closely related bodies should see it.

Gae Pincus, chairperson of Australia's National Food Authority, which advises the Australian government on issues of food safety,

The area is fraught with anomalies – the varying dosages of radiation needed for different foods

decided to defy WHO rules and make the report available on a "read only" basis for other interested parties as part of the consultation process.

"We couldn't countenance it not being available," says Pincus. "Over the past couple of months the report has been available to anyone who wants it. The WHO has accepted that. But we will still wait for the 'final final' report before we take action." The "final, final" report should be available by the end of the year.

In its draft form, the report does not address the issues set it by the NFA, claims Webb; namely, whether irradiation affects the safety and nutritional value of food. "It's a shoddy job," he concludes.

Pincus also reports that the NFA had reservations about the report – "some substantive, some editorial". Yet the scientific evidence reviewed in the report could form the basis of an international standard on food irradiation which would have status under Gatt.

Whatever the evidence in the final WHO report, rules on irradiation could prove extremely difficult to define.

The area is fraught with anomalies, such as the different dosages of radiation needed for different foods, especially in composite products. In a meat and potato dish, for example, the potatoes could be subjected to one level of radiation to prevent sprouting, but the meat would need a different dose, points out Kilcast.

"We need to do tests on the eating quality of the combination product," he adds. "If you apply the appropriate dose to appropriate food it's fine, as with any food process. If not, you get the same results as if you oven-roasted a lettuce."

The EC is continuing to grapple with harmonisation in the light of the single market. But with Germany banning the technology and the Netherlands renowned as the irradiation capital of the world, the going is tough. In between the two extremes there are numerous discrepancies.

In the UK, for example, only herbs and spices can be irradiated. In France, on the other hand, Camembert cheese has been added to the list of foods which can be treated, but UK law means it would be illegal to sell the cheese in Britain.

Even for single products – in the US some chickens are irradiated, for example – Pincus believes exporting countries would have a difficult time pressing home their case with or without international standards. "You could counter by asking why they couldn't send the non-irradiated version of the product and then get quickly into health and safety issues.

"It would raise some interesting questions," she adds. "It may lead to questions about the microbiological state of the product before irradiation."

However, the Gatt official confirmed that if countries have rules which ban foods for which there is an international scientific standard then "they may be called upon to justify them".

Rather than import bans, Gatt suggests that clear food labelling would give consumers a choice. Sceptics argue that labelling is unlikely to provide the consumer with the full information, particularly if only a small proportion of the total contents of the food – a herb, say, or a spice – has been irradiated. In many countries such a small amount of one ingredient would mean the product as a whole was exempt from labelling under existing rules.

It is also questionable, argues the anti-irradiation lobby, whether restaurateurs will want to emblazon their menus with notices that their seafood platters or chicken dishes contain irradiated produce.

"One of the problems of irradiation is the name," says Katie Munson, senior business analyst at the Henley Centre for Forecasting, in London, which has carried out extensive research into food acceptability. "People are very suspicious of anything to do with radiation. Irradiation would have to do an enormous PR job to become accepted. Whether it's dodgy or not doesn't matter; it's people's reactions that matter."

Technically Speaking

Doubts about digital television

By Chris Goodall

MOST people see the word "digital" and assume it represents an improvement over an existing analogue technology. So the interested – but non-technical – observer might applaud the Independent Television Commission's (ITC) strong expressions of interest in the digital transmission of broadcast TV signals.

In the case of the BBC, ITV and Channel 4, however, the general view would probably be wrong.

Before we pursue the digital route, we need to ask some questions about what such a radically new transmission system will do for viewers and broadcasters.

The existing analogue technology is very good at transmitting the signal accurately; modern TV receivers deliver very high-quality sound and pictures. They are also highly reliable. Digital TV would improve these qualities very little, if at all.

In the long run, digital transmission would allow broadcasters to cram many more channels into the frequencies currently allocated to terrestrial broadcasters. But getting these extra channels will require a costly and complicated migration from the current transmission system to the new one.

The cost of digital sets will probably always be higher than analogue receivers, which have simpler electronics and almost half a century of manufacturing experience behind them.

There is an even greater problem caused by the extraordinary difficulty of making the changeover. All the TV sets in the UK are incompatible with a digital transmission technology. Until they have been replaced, or supplemented by digital equipment, broadcasters will have to simulcast both digital and analogue signals, using more radio spectrum capacity, not less.

Moreover, to simulcast all four terrestrial channels, broadcasters will probably have to use channels reserved for video cassette recorders. Large number of VCRs will have to be retuned. Thames Television, in its failed bid for the fifth television channel, estimated the cost of this across the UK would exceed £75m. Who will pay?

The ITC admits the only incentive is the prospect of more channels. But for less money, consumers can already receive large numbers of extra channels via satellite. If many more channels are wanted– and the evidence is that no more than 40-50 per cent of households do – the best way to supply them is via satellite services.

Digital satellite services, offering large numbers of new channels to dish owners and to cable subscribers, will be available much sooner than digital channels from ground-based transmitters. Similarly, new cable technologies, which allow the carriage of 150 or more channels on cable systems already in use in the US, will provide choice that will never be available via over-the-air TV.

The ITC should explain why it feels able to contemplate the use of new channels for simulcasting, when it insists that the proposed fifth terrestrial channel is allocated to the frequencies reserved for VCRs.

A new channel, available to everybody in 1994-95, is a much better proposition than the vague prospect of digital services in the first decade of the next century requiring every home to buy a new TV set at a cost of about £800.

The ITC's document on digital transmission is a measured and cautious piece of advocacy, but it still falls into the trap of thinking that advances in feasible technology translate rapidly into opportunities for commercial enterprises. The last time the ITC tried to push a new technology, it licensed the technically advanced British Satellite Broadcasting, only to see it fail within a few years.

Before the ITC makes any decision on digital transmission, it should ask the leading electronic retailers how many £800 TV sets they would sell if the TVs had essentially the same features as those selling at £400.

The author manages projects in setting up new television channels.

PUBLIC NOTICES

IN THE HIGH COURT OF JUSTICE (ENGLAND) No. 4481 of 1993
CHANCERY DIVISION
IN THE MATTERS OF

KINGSCROFT INSURANCE COMPANY LIMITED
(formerly Kraft Insurance Company Limited, Dart and Kraft Insurance Company Limited and Dart Insurance Company Limited)
- and -
WALBROOK INSURANCE COMPANY LIMITED
- and -
EL PASO INSURANCE COMPANY LIMITED
- and -
LIME STREET INSURANCE COMPANY LIMITED
(formerly Louisville Insurance Company Limited)
- and -
MUTUAL REINSURANCE COMPANY LIMITED
(a Bermudian registered company)
- and -
IN THE MATTER OF
THE COMPANIES ACT 1985 OF GREAT BRITAIN
AND

IN THE SUPREME COURT OF BERMUDA No. 369 of 1993
IN THE MATTER OF

MUTUAL REINSURANCE COMPANY LIMITED
- and -
IN THE MATTER OF
THE COMPANIES ACT 1981 OF BERMUDA

NOTICE IS HEREBY GIVEN that by Orders dated 30 July 1993 and 4 August 1993 made in the above matters in the High Court of Justice (England) and in the Supreme Court of Bermuda respectively separate meetings are to be summoned of the Scheme Creditors (as defined in the Scheme of Arrangement hereinafter mentioned) for the purpose of considering and, if thought fit, agreeing to a Scheme of Arrangement ("the Scheme") proposed to be made between the above-mentioned companies (together "the Scheme Companies" and each a "Scheme Company") and the Scheme Creditors hereinafter mentioned, namely:

1. the Scheme Creditors other than those who are Protected Policyholders (each as defined in the Scheme of Arrangement); and

2. the Scheme Creditors who are Protected Policyholders (as so defined).

Such meetings will be held at Alexandra Palace, Wood Green, London N22 4AY on 17 November 1993 at the times mentioned below, namely:

1. In the case of the Scheme Creditors other than those who are Protected Policyholders:
(a) the meeting of Kingscroft Insurance Company Limited at 2.00 p.m.;
(b) the meeting of Walbrook Insurance Company Limited at 2.05 p.m.*;
(c) the meeting of El Paso Insurance Company Limited at 2.10 p.m.*;
(d) the meeting of Lime Street Insurance Company Limited at 2.15 p.m.*;
(e) the meeting of Mutual Reinsurance Company Limited at 2.20 p.m.*; and

2. In the case of the Scheme Creditors who are Protected Policyholders:
(a) the meeting of Kingscroft Insurance Company Limited at 2.25 p.m.*;
(b) the meeting of Walbrook Insurance Company Limited at 2.30 p.m.*;
(c) the meeting of El Paso Insurance Company Limited at 2.35 p.m.*;
(d) the meeting of Lime Street Insurance Company Limited at 2.40 p.m.*;
(e) the meeting of Mutual Reinsurance Company Limited at 2.45 p.m.*;

* or as soon thereafter as the previous meeting shall have concluded or been adjourned at which place and respective times all the said Scheme Creditors are requested to attend.

Each Scheme Creditor or his proxy will be required to register his attendance at the meetings he is entitled to attend prior to their commencement. Registration will commence at approximately 12.30 p.m.

The chairman of the meetings will address Scheme Creditors generally on the Scheme and on the issues relevant to voting at the commencement of the first meeting.

The Scheme is proposed between each Scheme Company and its Scheme Creditors, being creditors in respect of any claim arising out of a liability to which the Scheme Company is subject at the date of the Scheme or to which it may become subject thereafter by reason of an obligation incurred before that date, except any claim which would have been preferential under applicable statute in a liquidation of that Scheme Company or a claim in respect of the costs or expenses of the Scheme (both of which will be payable in full).

On a liquidation of a Scheme Company, certain creditors would be entitled to protection under the Policyholders Protection Act 1975. The Policyholders Protection Board has agreed to join in the Scheme and to make payments in accordance with its terms to any Scheme Creditor who, being a Protected Policyholder, would be entitled to protection under the Policyholders Protection Act 1975 on a liquidation of a Scheme Company and who, in addition, is eligible for protection under section 16(9) thereof.

Any creditor of one or more of the Scheme Companies who is or believes that he may be entitled to attend the relevant meeting of a Scheme Company against which he has a claim may obtain a copy of the document containing the Scheme and an explanatory statement in compliance with section 426 of the Companies Act 1985 of Great Britain and, in addition, in relation to Mutual Reinsurance Company Limited only, section 100 of the Companies Act 1981 of Bermuda, and the forms of proxy for use at the meetings, from the Provisional Liquidators of the Scheme Companies at Coopers & Lybrand, St Andrew's House, St Andrew Street, London EC4A 3AY or at the office of the below-mentioned Solicitors at the address given below.

Memoranda on the Policyholders Protection Act 1975 and on the Ackman appeal in proceedings in relation to the said Act are contained at Appendices XIV and XV to the explanatory statement. Any person who is in any doubt whether he is a Scheme Creditor of a Scheme Company and, if so, a Scheme Creditor other than a Protected Policyholder, or a Scheme Creditor who is a Protected Policyholder, should consult his own legal adviser without delay.

Scheme Creditors may attend and vote at the relevant meetings in person or by proxy and are, in any event, requested to complete the forms of proxy and return them to the Provisional Liquidators of the Scheme Companies at Coopers & Lybrand, St Andrew's House, St Andrew Street, London EC4A 3AY by 5.00 p.m. on 12 November 1993 (London time), although if not so returned they will be accepted at any time prior to the commencement of the meetings (and may be handed in no earlier than 12.30 p.m. on the day of the meetings at the place fixed for them).

By the said Orders the courts have appointed Christopher John Hughes or, failing him, Ian Douglas Barker Bond or, failing him, Gareth Howard Hughes to act as chairman of the meetings and have directed the chairman to report the results thereof to the respective courts.

The Scheme will be subject to the sanction of the High Court of Justice (England) and the Supreme Court of Bermuda.

Clifford Chance
200 Aldersgate Street
London EC1A 4JJ
Dated 8 September 1993.

Solicitors to
I D R Bond and C J Hughes
Provisional Liquidators
of the Scheme Companies

COMPANY NOTICES

HOECHST AKTIENGESELLSCHAFT
D-65926 Frankfurt am Main

United Kingdom shareholders are advised that copies of the report on the 1st half-year 1993 are now available from:-

S.G. Warburg & Co. Ltd.
Paying Agency,
2 Finsbury Avenue,
London EC2M 2PA

THE ROYAL BANK OF CANADA
U.S. $300,000,000 Floating Rate Debenture Notes due 2085

NOTICE IS HEREBY GIVEN that for the Interest Period commencing on 15th September, 1993, the Notes will bear interest at the rate of 3⅜% per annum. The interest payable on 15th December, 1993 against Coupon No. 31 will be U.S. $8.53125 per U.S. $1,000 nominal.

Agent Bank
ROYAL BANK OF CANADA EUROPE LIMITED

BICC Capital Finance Limited
Notice is hereby given that the Annual Report and Accounts for the year ended 31 March 1993 have been published and are available from BICC plc, Devonshire House, Mayfair Place, London, W1X 5FH.

Stop-press allegations

Robert Rice on The Independent's OFT complaint against The Times

Tony Andrews

Andreas Whittam Smith (left) accuses Rupert Murdoch of predatory pricing

Britain's newspaper price war is hotting up. Last Friday, Newspaper Publishing, owner of the struggling Independent, formally complained to the Office of Fair Trading that News International was trying to squeeze it out of the market by cutting the price of its loss-making flagship, The Times, by 15p.

Mr Andreas Whittam Smith, editor in chief of The Independent, accused The Times of predatory pricing – deliberately lowering prices to uneconomic levels in the short term with the intention of eliminating competition, and so enhancing profits in the long term.

The Times rejected the allegation. The move was in the interests of the industry as a whole and had already resulted in an increase in the size of the quality broadsheet market, it said.

It claimed that a similar expansion of the market had followed News International's price cut for The Sun in July, giving it a 7p advantage over its rival the Daily Mirror. The Sun's circulation has risen by 300,000 copies to 3.38m a day. But the Mirror's circulation is also increasing, rising by 63,000 during August.

Although the 30p Times is only a week old, early signs are that News International may be right. The Times's circulation is up – some newspaper wholesalers say by as much as 40 per cent – but not at the expense of its rivals. Overall, the quality broadsheet market appears to have increased by about 3 per cent. Even The Independent concedes that a survey of 1,000 outlets showed its circulation had risen by 2-3 per cent, making its complaint to the OFT more puzzling.

However, it is early days, and on the surface there appears to be a good case for an OFT investigation. The OFT says it will look at The Independent's submission before deciding whether or not to launch a formal investigation under the 1980 Competition Act. Sir Gordon Borrie, former director-general of fair trading and now a non-executive director of Mirror Group Newspapers, believes it should.

"I think there is a prima facie case to answer. It is difficult to see what the point is apart from trying to see off The Independent. I can't imagine them being able to demonstrate to the OFT that The Times is viable at 30p."

But Sir Gordon warned that establishing predation would be difficult. The problem is that it is difficult to decide precisely at what point desirable price competition ends and predatory pricing begins, and even harder to establish predation in any particular case.

There have been several attempts to frame an economic test of when a price is predatory, the most well-known being that of the Americans Areeda and Turner.

They argued that a price should be deemed predatory and therefore unlawful under US law where it was less than a company's average variable cost, and presumed lawful where it was above average variable cost – average variable cost being calculated by dividing costs that vary according to output, such as raw materials and labour, by actual output.

> **Proving an intention to put The Independent out of business would be difficult**

This strict cost/price analysis poses significant problems for competition authorities in establishing a company's average variable cost. The test has also been criticised as being too narrow, some economists arguing that pricing above average variable cost can still be predatory, particularly where there is a clear intention to eliminate competition and where that is the practical result. Not all US courts have followed the Areeda/Turner test.

In the UK the OFT has only carried out seven formal investigations of alleged predatory pricing since the Competition Act came into force, most recently finding two local bus companies, Southdown Motor Services and Maidstone & District Motor Services, guilty of predation.

The best indication as to the approach the OFT might take comes from the 1988 Becton Dickinson case, where Sir Gordon cleared Becton Dickinson, a medical equipment maker, of selling hypodermic syringes and needles at predatory prices. But in doing so, he set out three criteria for deciding whether a price was predatory. It was necessary to look at the relationship between costs and prices, the structure and characteristics of the market, and for intent on the part of the predator, he said.

This test is wider than the straight cost/price analysis of the Americans. It involves consideration of a number of issues: whether the predation is likely to succeed; the strength of the predator's position in the market; its ability to sustain losses in one market by cross-subsidisation from other markets; and any barriers to market entry once the predator has restored its price to its normal level.

Since then, however, there has been a change at the top of the OFT and perhaps more importantly a significant decision in Europe in the Akzo case in 1991, which might influence the OFT's approach to The Times case.

The European Commission found Akzo, the Dutch company, guilty of abuse of its dominant position, but rejected the Areeda/Turner approach. The Commission said cost/price analysis was one element in deciding whether a price was predatory, but it was also important to look at whether the dominant company had a strategy of eliminating competition and what the likely effects of its conduct were.

On appeal the European Court upheld the Commission's approach. The Court said that where a price was below average variable cost it would be presumed predatory, but when prices were above average variable cost but below average total cost (the total of variable and fixed costs of a company divided by actual output) the company could still be guilty of predation if the prices were fixed in the context of a strategy aimed at eliminating a competitor.

The OFT is likely to face considerable difficulty in assessing costs at The Times, not least because of the complicating factor introduced by the advertising side of the business.

However, Sir Gordon believes there may be a more simple obstacle to establishing predation – the difficulty of proving an intention to put The Independent out of business. "I don't suppose there will be too many office memos lying about the place," he says.

Others agree, but also point to further difficulties. Mr Derek Ridyard, of National Economic Research Associates, says that, although it is not a legal requirement in the UK, the OFT would normally be looking for some evidence of dominance in the market.

It is not obvious that News International is dominant, he says, although there might be an argument that it is using its strength in the Sunday quality market to gain an advantage in the daily market, particularly if the price cut has an indirect effect on the viability of the Independent on Sunday.

Given the quantity and complexity of the issues faced by the OFT, a quick decision looks unlikely. Sir Gordon believes the OFT may wait until the effect of The Times price cut becomes clearer.

If News International is right and the result of the price cut is to increase the overall size of the quality daily market, then an investigation would be superfluous. If, on the other hand, the price cut begins to eat into The Independent's sales, the damage may well have been done by the time it takes to complete an investigation.

The right rules supreme

America's highest court was dominated by conservatives in the '92-93 term

A review of the voting patterns of the US Supreme Court over the 1992-93 legal term shows America's highest court still dominated by the conservatives.

According to the National Law Journal, a US legal magazine, at the opening of the 1992-93 term in October last year the main question was whether three centrist justices, Justice Sandra Day O'Connor, Justice Anthony Kennedy and Justice David Souter, would continue to act as a moderating influence on the court's more extreme left and right-wing elements, as they had done in the previous term.

By the end of the term in July it was clear that they had not. Looking at the court's decisions during the term, on civil rights, church-state separation and voting rights, it was apparent that Justices O'Connor and Kennedy at least had returned to the conservative fold, the magazine says.

Evidence of the renewed domination of the right was most apparent in the 20 decisions in which the court was split five-four. Most often in the majority in those cases was the staunch conservative, Chief Justice William Rehnquist, followed by Justices Antonin Scalia, Kennedy and Clarence Thomas. Least often in the majority in five-four splits was Justice Souter. This pattern was a reversal of the 1991-92 term.

Justice Thomas followed the approach he took in his first year on the Supreme Court bench, agreeing most often with Justice Scalia – in 91 per cent of all cases.

Overall, the National Law Journal says, the last term's 118 decisions demonstrated that the court's seven conservative members often had competing visions of conservatism. Nevertheless, there was a high degree of unanimity. The justices were unanimous in 43 per cent of cases, continuing an upward trend in unanimous decisions which began in 1989-90.

In the commercial sphere, for the second year running business won important victories in the high court, enjoying success in anti-trust, employment discrimination and federal taxation cases.

But in two of the term's most significant decisions, business suffered big defeats. In TXO Production Corp v Alliance Resources Corp and Daubert v Merrell Dow Pharmaceuticals Inc, the court respectively rejected attempts to curb juries' awards of large punitive damages, and gave federal judges broader discretion to admit novel scientific theories that may not be generally accepted.

The TXO decision was a big blow for industry, which for years has been fighting punitive damages awards many times the size of compensatory damages. The National Law Journal predicts that the court's decision in TXO will increase pressure from business for legislative caps on punitive awards.

Upholding a punitive damages award 526 times the size of the compensatory award not only handed the reformers a piece of propaganda, the magazine says, it also allowed the press to hold up the decision as "an example of a judiciary that has lost its collective mind".

In the anti-trust field, the most important decision came in Hartford Fire Insurance v California and Merrett Underwriting Agency v California. The court, in two five-four opinions, allowed an anti-trust suit brought by 19 US states against four insurance companies and their UK reinsurers at Lloyd's to go to trial in the federal court, and held that insurers did not lose their anti-trust immunity by collaborating with foreign insurers.

The big issue for the next term, beginning next month, will be where the court's newest member, Justice Ruth Ginsburg, fits into the picture. The first Democratic appointment to the Supreme Court for 26 years, she was billed by the Clinton administration as a moderate centrist.

But Justice Ginsburg has an activist record and many legal observers feel she is not naturally aligned with the moderate conservatives of the court and is likely to be more left of centre. Some predict that a quartet may emerge in the centre ground – Justices O'Connor, Kennedy, Souter and Ginsburg – but only on occasions.

The National Law Journal predicts the most visible result of the replacement of the centre/right Justice Byron White, retiring after 31 years, with the centre/left Justice Ginsburg is likely to come on abortion rights. Justice White was consistently against the court's 1973 landmark abortion rights ruling, Roe v Wade.

The court has accepted a number of cases for next term that should soon reflect the influence Justice Ginsburg will have. They include cases on voting rights, the retroactive impact of the 1991 Civil Rights Act, sex discrimination in jury selection, federal anti-racketeering laws, abortion clinic blockades, child pornography and sexual harassment.

Robert Rice

US SUPREME COURT VOTING ALIGNMENTS 1992-93 TERM

Justice		All Cases
Rehnquist	Agreed most often with	Kennedy 90%
	least often with	Stevens 62%
White	Agreed most often with	Rehnquist 87%
	least often with	Stevens 68%
Blackmun	Agreed most often with	Stevens 84%
	least often with	Scalia 63%
Stevens	Agreed most often with	Blackmun 84%
	least often with	Thomas 61%
O'Connor	Agreed most often with	Thomas 85%
	least often with	Stevens 65%
Scalia	Agreed most often with	Thomas 91%
	least often with	Blackmun/Stevens 63%
Kennedy	Agreed most often with	Rehnquist 90%
	least often with	Stevens 66%
Souter	Agreed most often with	White/Scalia 81%
	least often with	Stevens 71%
Thomas	Agreed most often with	Scalia 91%
	least often with	Stevens 61%

Most agreement: Scalia/Thomas 91%. Least agreement: Stevens/Thomas 61%. Source: The National Law Journal

PEOPLE

Kleinwort's Latin American connections

Roger Palmer, the ex-global strategist who is building a Latin American equities team at Kleinwort Benson, has hired four people whom he believes share the relatively rare qualities of technical expertise in the region with an understanding of the UK investment banking scene.

His new deputy and head of sales, 28-year-old Andrew Macdonald, has spent nearly five years at Baring Securities, which has established itself as the leading UK house in Latin America, even if it has been hit recently by a wave of defections.

Palmer, who has decided to differentiate his service by basing his team in London, as opposed to New York or Mexico, and taking a sector, as well as country, approach to equity analysis, has also gone for two internationally-minded Latin Americans.

Argentinian born Andrea Marmolejo, 31, who will head the research team, is a Harvard graduate and has worked at the Argentine central bank, McKinsey and the then UBS Phillips & Drew. She answered an advertisement for her new job after spending a short while at a Spanish-funded venture capital operation.

After the bank's success with the last Chilean it picked from the London Business School MBA programme, who is now doing well in the Latin American corporate finance department of KB, Palmer returned to the LBS, and hired the only final year MBA student who came from Chile. He is Sergio Arredondo, who is 29.

Janet Krengel, 40, senior Latin American economist from Lloyds Bank, has also just come aboard.

In a region where relationships are crucial in winning business, KB is already well-connected. Sir Kenneth Kleinwort, who remains a non-executive director of the group, has an Argentinian wife, and Desmond Cameron, the head of the Latin American corporate finance team which has been successfully collecting Argentinian privatisation mandates, looks back on 30 years experience.

■ LatInvest, an investment bank set up last year to concentrate on Latin American equities and corporate finance, has recruited Paul Davies, formerly senior manager responsible for management accounting at Nomura International, as its finance director. Victor Galliano, from Barings' Spanish team, has also joined the boutique's Mexican research team.

Meanwhile, Per-Arne Johansson, one of LatInvest's four founder shareholders, is moving to New York, joining a small team already there, to expand the US clientele.

Constructive careers

■ NORWEST HOLST, the construction and engineering group, has named John Bergin as business development director and announced several other appointments in its operating subsidiaries. Bergin formerly held similar roles at several other construction companies.

At Rosser & Russell Building Services, the engineering services subsidiary, Philip Cleaver has been appointed chairman, and is succeeded as managing director by Roy Margrave.

George Depledge, the Leeds-based steelwork contracting subsidiary, has appointed Peter Samworth as managing director, while Norwest Holst Construction, the combined building and civil engineering divisions of NWH, has named Eddie Wilson as managing director. He joins the company from Mowlem.

■ Malcolm Pitcher, formerly European marketing manager with Honda Motor Europe, has been appointed marketing director of WIMPEY Homes Europe.

■ Brian Tock, md of Castle Plant, is appointed deputy md of TARMAC Construction's Plant Division.

■ Neal Roberts (below), formerly group financial controller of Bunzl, has been appointed financial director of REDLAND Bricks.

Citibank loses researchers

Stephen Partridge-Hicks and Nicholas Sossidis have resigned from the research group of Citibank following a dispute over pay, funding and control of the operations with which they were connected.

The two men were the business managers responsible for Alpha and Beta Finance Corporations, two entities that invested in high quality rated debt securities.

Citibank said yesterday the resignation was due to "a fundamental disagreement on the amount of future resources to be made available to the research group and the relative ownership of the management activity between the parties".

Alan Harley, a vice president, said the resignation would have little adverse impact and that while the two men were the "figureheads" there were another 18 people who worked in the group. "We continue as normal," he said.

Charles Covell has been appointed as new manager of the Research Group, which Citibank said would be "fully resourced for growth".

Partridge-Hicks and Sossidis said they intended to develop a new investment management business with a joint venture partner, drawing on their experience with Citibank over the last six years. They said the management team would be tied-in with the "appropriate contracts and financial incentives ... so often requested by investors".

■ David Mortimer has been appointed head of branch banking, Keith Sunley head of banking services, and John Howley, head of planning and strategic development at YORKSHIRE BANK.

■ Caroline Attfield has been promoted to become head of corporate sales and marketing, treasury and capital markets at The ROYAL BANK OF SCOTLAND.

"Two Women" by Lucian Freud, 1992, in the current exhibition at the Whitechapel Gallery

Figuring out Freud

William Packer hails a great British artist in his 71st year

Lucian Freud is without question a great artist, as remarkable as any that this or any country has produced in a hundred years or more, as great a painter of the figure as any since Courbet. Among his contemporaries he stands all but alone. Whom could we put alongside him, now that Bacon is dead? Balthus perhaps, but him only. It is a large claim to make but, in the face of the work, inescapeable: yet even now one senses that there are many who would deny the obvious.

It would seem two forces are at work in this respect, contradictory yet oddly pulling in the same direction. On the one hand there is the reluctance to overstate a case made cheap by promiscuous indulgence elsewhere: on the other, a myopic critical disregard, born of the artist's own singularity; an instinctive outsider, his work is awkward, difficult, entirely independent of market fashion and modernist orthodoxy.

Certainly his current reputation has been won with little help from the international art establishment. The Arts Council gave him his first full retrospective at the Hayward in 1974, but I remember it as being given somewhat against the grain – almost apologetic a special case. A second Hayward retrospective in 1987 was more confidently given – and received – at home, but the British Council had considerable difficulty in placing the subsequent tour abroad, which was refused outright by New York and received with marked indifference in Paris. And here was an artist by now in his 60s and working with more power and authority than ever. The Tate has yet to give him a show. In short, what consistent support he has had has come not from the public but from the private sector.

Has this all now changed, now that Freud is 70 and a Grand Old Man? The point is only that such critical acceptance as he now enjoys has been forced and won by the work itself, just as it is. Like it or not, take it or leave it, there it is – and it is not going to go away.

For its showing in New York and Madrid this exhibition will have a retrospective element, a quick skim though from the 1940s to the early 80s. But in London it begins in 1982, with a portrait of the artist's mother, and so continues with portraits, figure and life-paintings large and small, most especially the life-paintings, up to the large, full-length, full-frontal nude self-portrait that is still in progress.

It is the record of a decade of phenomenal personal achievement, although for an artist to continue in full creative flow well into old age is not unusual. Indeed, with such artists as Titian or Rembrandt or Monet, it is possible to argue that the best comes last. With Freud, however, such has been the creative drive since the late 1970s it is as though he has waited until then almost to begin. At that point it seems he came to his proper subject, the human presence in a particular space, usually nude, which he had treated often enough before but now fixed upon all but exclusively. And with it came, for him, its proper treatment – an unremitting scrutiny – and its proper scale – moving up to life-size.

It is strong stuff and even shocking if taken superficially, but then we forget that great painting in the post-Renaissance humane tradition always had the power to shock, and used this power quite deliberately. And it is to this greater tradition that Freud belongs, which is perhaps where the critical difficulty lies. He is a modern painter, working in modern times, fully aware of all that modernism, and expressionism in particular, has made available to the artist in our secular age. But while Freud would never deny the modern movement, he is not, has never been, its creature.

In another time who is to say what martyrdoms and mysteries he might have painted. We think of Titian, Caravaggio, Ribera, Goya – Marsyas flayed, St Lawrence twisting on his grill, St Anthony tormented in the wilderness. *Autres temps, autres moeurs*: and what we have from Freud instead of saints personified is the image direct of the human condition and, at the closest remove, of our own mortality. Such a subject is only as shocking as we wish it to be.

Which leaves the paintings as paintings – for it is all too easy to become so fixed on the imagery, especially such strong meat as this, as to see nothing else. There is always more to the understanding of painting than the mere literary reading of metaphor or symbol. Here are these nudes, legs splayed, arms akimbo, the portrait heads staring fixedly before them, the figures set in the bleak physical space of the artist's studio, and all subject to that same searching, apparently unsentimental gaze. And yet the most physical thing about them is not the imagery at all but the paint itself, rich and dense. What we find as we look into into these surfaces is that Freud is become ever freer in his handling, and taking more and more risks with drawing and proportion – a huge foot, a strange passage of modelling, a squashed face. For here is no close, tortured preoccupation with verisimilitude but a practical ebullience and, yes, enjoyment, that is not quite what we might have unexpected.

Freud is now clearly working at high speed, and yet all is carried through with such command and technical aplomb that no whit or jot of it is anything less than utterly convincing. We accept what Freud shows us as being true enough, but the truth is what Freud has made it to be, no pale copy or simulacrum of reality but a true equivalent, born of the creative imagination. And it is also very beautiful. What ugliness there is lies in ourselves.

Lucian Freud: Recent Work; Whitechapel Art Gallery, Whitechapel High Street E1, until November 21, then to the Metropolitan Museum, New York, and the Reina Sofia, Madrid: sponsored by the Observer, and Global Asset Management

Gala Concert in Cardiff/Alastair Macaulay

Tribute to Sir Geraint

Few opera-lovers today can recall opera before Geraint Evans. For many of us, he was already part of the firmament when we discovered opera. It is therefore good to know that his name continues in the present tense in the Geraint Evans Scholarship Fund, which has supported young singers at the Welsh College of Music and Drama since shortly before his death in 1992. On Sunday, in St David's Hall, Cardiff, a number of celebrated Welsh singers joined a gala chorus, the BBC National Orchestra of Wales, and conductor David Pryce-Jones for "A Gala Tribute to Sir Geraint," a concert whose proceeds will benefit this fund.

Every good gala should have its surprise; this once had an unknown Verdi aria. Dennis O'Neill, who has sung Foresto in Verdi's *Attila* at Covent Garden, introduced an alternative aria that in 1846 Verdi wrote, at Rossini's request, for the tenor Ivanoff to sing. The aria, "Sventurato! Della mia vita", was never published; O'Neill is the first since Ivanoff to sing it. He sings it well, and it deserves to become better known.

Everything about it says, splendidly, "Verdi" – the mixture of legato and staccati in the arching vocal lines; the staccati triplets that quietly, feelingly, accompany the initial phrases; the woodwind that join in and link it to the particular sound-world of *Attila*'s more lyrical scenes; the orchestral *tutti* that join its swelling climax; the muted orchestral close straight after the tenor's final high note.

In case we needed reminding, the gala demonstrated the strength of Welsh singing. O'Neill, who planned and organised the gala, also sang Lensky's aria from *Eugene Onegin* with elegiac beauty, and joined Margaret Price in the love-duet from Verdi's *Otello*. Price, whose pure entry into notes remains phenomenal, later sang Desdemona's Willow Song and Ave Maria, making every phrase, every word, count. I love the way she makes the first calls of "Salce!" sound like a distant voice, and how she matches her phrasing here to the oboe.

Della Jones, fresh from her Proms appearance the previous night, sang the rondo finale from Rossini's *Cenerentola* with sparkling aplomb. True, her divisions and top notes are not as breathtakingly clean as they were 10 or 15 years ago, but this is still a wonderfully exciting account of this irresistible scene (here given with a little joke cadenza referring to the gala's previous aria, "Non più andrai"). I have space only to mention and praise the contributions of Gwynne Howell (in music from *Onegin* and *Don Carlo*), Arthur Davies (fresh from the Covent Garden opening-night *Butterfly*, singing the *Carmen* Flower Song), Jason Howard (in Posa's death scene from *Don Carlo*) and Rebecca Evans (in Susanna's aria from *Figaro*).

Most glorious of them all, Bryn Terfel. When Caruso heard Lotte Lehmann, he complimented her by saying "Brava – una vera voce voce italiana": which leaps to my mind as I hear Terfel today. His baritone, so secure, is placed that you hear his whole body and face in every phrase; he has spontaneity, virility, force, individuality. He sang "Non più andrai" from *Figaro*, and the Honour monologue from Verdi's *Falstaff* – both Geraint Evans roles, both here given immense panache. Yes, in the latter opera he has been singing Ford (and only the night before in Cardiff); he has already all the eloquence for Falstaff.

It was a smart touch to end each half of the gala with a big ensemble. The sextet from Donizetti's *Lucia* preceded the interval; but it was effaced by the great fugue from *Falstaff*, which brought together all the evening's soloists: Margaret Price as Alice, Della Jones as Meg, and so on. The intricacy of Verdi's writing, and the bubbling glee with which his music is shot through, have seldom been more apparent.

Weekend music in London

Schreier's 'Liederabend' delights

The Wigmore Hall season of "Master Concerts" began on Saturday with a *Liederabend* by Peter Schreier, received with respectful delight. In the Austro-German song repertoire he is, I suppose, the premier tenor of our day; given his austerely idealised notion of how *Lieder* should be sung, he has no peer, and few competitors. Between thrusting tenors with larynxes focussed upon opera, and sensitive artists – mostly British – with white-ish voices on the Pears model, sincere intentions and stilted German, the middle ground is under-populated.

Except for Josef Protschka and perhaps Laurence Dale, no younger tenors stand out just now in *Lieder*. Since the cruelly premature death of Fritz Wunderlich (at 36, in a trivial accident), there has been no comparable tenor to match him, not with the kind of voice Schubert must have had in mind for his *Schöne Müllerin*: lightly natural, expressive and heartfelt, with no need for strenuous Italian top-notes.

If Schreier is not exactly that kind of tenor, in his particular way he is the Compleat Artist. There used to be jokes about his surname (meaning "screamer", as in "Your baby is a real *Schreier*, isn't he!") that were quite off the mark – except for his upper register, which sometimes strikes my ear as uncomfortably tight and overwrought, perhaps because he controls it so strictly to keep it in line with his easier middle-voice. He cultivates a seamless *legato*, for with him the line is the essential thing, most delicately and scrupulously inflected.

Vocal colour-effects probably strike him as vulgar in the great *Lieder*, and he eschews them. In this recital he allowed himself just the odd moment of audible theatre; otherwise his tone was consistently bright, forthright, unassuming, without much depth. His diction is immaculate and he is no less searching with the texts than Schubert himself, or even Hugo Wolf. Everything has been thought out and polished to the hilt. There is a sense that precious objects are being reverently displayed.

Not that there is anything remotely pretentious in Schreier's platform manner: on the contrary, he is the very image of the affable, sympathetic bank manager you never had. At the Wigmore this time he sang Schubert and Brahms, including some of the latter's late, lusty "folk songs"; a last-minute decision to reverse the two halves of the programme was a good idea, for then the "folk songs" laced his recital with a deceptively relaxed, informal air from the outset. All the rest of his "serious" Brahms was exquisitely shaped and shaded, further enhanced by Graham Johnson's searching accompaniments.

So also Schreier's Schubert – *and* Johnson's. I think the latter has learned to be an unintrusive but genuinely inspired Schubert accompanist in the course of his monumental recording project (the *complete* Schubert songs with the best Schubert singers, on Hyperion CDs). "Ganymed", on one of Goethe's most erotically subversive poems, was a marvel of subtle, suggestive tact. In his "Uber allen Gipfeln", and in Rückert's "Du bist die Ruh", the singer underlined the lofty contours so that we could not miss them. Simpler might have been better – but Schreier *is* a long way beyond that now, and he *is* an artist of rare distinction.

David Murray

King's comes to the Proms

The tradition whereby the penultimate night of the Proms was given over to Beethoven's Ninth Symphony seems well and truly broken. It has to be right that other composers occupy this prestigious date and the choice fall this year on two of England's finest, Byrd and Purcell.

It also – surprisingly – marked the first ever appearance at the Proms by the Choir of King's College, Cambridge. One venerable English institution meets another, the choir being the more venerable by some centuries as it dates back to the time of Henry VI. (Interesting to note that the residential choir school at King's and the Royal Albert Hall both date from the 1870s, when the Victorian patronage of music was at its height.)

There is a point to this historical background. For decades after the war, and even longer before, it was the cathedral and college choirs of Britain that kept the flame burning for the sacred music of composers like Byrd and Purcell. But no more: small, fully professional choirs, such as the Tallis Scholars and the Sixteen, have risen to dominance in this repertoire, particularly in recordings.

To hear the King's choir again at Friday's Prom in a selection of Byrd's early Latin pieces came as quite a surprise, not necessarily an unpleasant one. The traditional college sound (sweet treble tone, youthful light basses) is nothing like as focussed or as concentrated as the professional groups, but it has a natural feel to it. Byrd is hardly likely to have heard his music sung by bands of hand-picked, well-drilled, ace sight-reading, potential soloists.

Under the direction of Stephen Cleobury, its Director of Music, the choir gave mostly tidy and sensitive performances of the Byrd and Purcell's *Come, ye sons of art*. The King's style has never involved much digging for expression and its Purcell was on the wan side, light, stylish, agreeable on the surface, but needing a bit more straightforward punch, especially in this hall. Of the soloists, Stephen Varcoe bit into his words with most determination.

In between, London Baroque under Charles Medlam played Handel's Concerto Grosso Op.6 No.6 and accompanied the soprano Lynne Dawson in his motet *Silete venti* – well contrasted pieces, which gave a relatively long programme plenty of variety. Beethoven was not missed.

Richard Fairman

Theatre/Andrew St George

Breaking the Bank

The rise and fall of John Law (1671-1729) convict, international financier and speculator is perfect matter for a play, serious, funny or both. Eleanor Zeal's *Breaking The Bank* by the Empty Space Theatre Company at The Warehouse, Croydon tells of Law's career, and amounts to a fine idea gone astray, nearly right, but just, as Law might say, one share short of a portfolio.

The remarkable Law was a fine gambler whose luck ran out when he killed a man in a duel in 1694. He broke jail and spent the 1690s learning about credit systems in Amsterdam and Genoa. His dream was paper currency. He floated the idea at the Scottish parliament, was turned down, and instead set up a private bank in Paris. There his ideas gained currency and his currency gained him a job from the French Regent as Comptroller-General of Finance in France. He set up the French equivalent of the South Sea Bubble by forming the Mississippi trading company in 1719.

How does *Breaking The Bank* do justice to Law's life and achievements? It tries, but fails. The best parts of this costume-drama look like cabaret sketches about money, notes, shares and speculation. There are fugues, sung by the four actors: "Keep the money moving" or "We're going to deal in futures, in castles in the air." There are jokes about privatisation, new taxes on fuel, and references to the European Monetary System, having a flutter down at the Bourse. But fortunately the wit never plumbs the lost consonant depths of "Gentlemen prefer bonds."

The characters and the action are bitty. The Regent (Philippe of Orleans, played by Adam Fahey) opens with "I didn't poison *Louis*." Opposite him, Law (Luke Williams) and his quasi-wife Catherine (Jaquie Bywaters) are an up-tight Protestant voice in a Xenophobic Catholics system running on divine credit. Richard Cherry as coachman and bankers makes up the energetic cast, who bustle round an inventive set of cube boxes. Andrew Holmes' direction could be smoother, and the play should be shorter.

Law wrote in *Money and Trade Considered* (1705): "Wealth depends upon commerce, and commerce depends upon circulation." Somehow "The Circulation of Nations" does not ring true, but he was 70 years ahead of Adam Smith.

The Warehouse, Croydon (081 6480 4060) until October 3 before national tour

INTERNATIONAL ARTS GUIDE

AMSTERDAM

Concertgebouw Tonight: Hans Peter Blochwitz song recital. Thurs: Marc Minkowski conducts Les Musiciens du Louvre in Handel's La resurrezione. Fri: José Serebrier conducts Hague Philharmonic Orchestra in works by Prokofiev, Markevitch and Tchaikovsky. Sat afternoon: Valery Gergiev conducts Radio Philharmonic Orchestra in Tchaikovsky and Berlioz, with viola soloist Yuri Bashmet. Sat evening: Christopher Hogwood conducts Academy of Ancient Music, with mezzo soloist Cecilia Bartoli (24-hour information service 020-675 4411 (ticket reservations 020-671 8345)

Muziektheater Tonight, Thurs, Fri, Sun afternoon, next Tues: Dutch National Ballet mixed bill, choreography by Laurie Booth, Toer van Schayk and Balanchine. Tomorrow, Sat: Hartmut Haenchen conducts Klaus-Michael Grüber's Netherlands Opera production of Parsifal, with Wolfgang Schöne, Günter von Kannen, Barry McCauley, Jan Hendrik Rootering and Ruthild Engert (020-625 5455)

ANTWERP

Tonight at Monty: Italian theatre company Societas Raffaello Sanzio presents Shakespeare's Hamlet. Tomorrow at St Augustinus Church: New London Consort, with soprano soloist Catherine Bott, in music by 16th century composer Tielman Susato. Fri: Roger Norrington conducts Chamber Orchestra of Europe in works by Schumann, Brahms and Schubert (Antwerp 93: information from Grote Markt 29, B-2000 Antwerp, tel 03-226 9300; tickets from Tele Ticket Service tel 070-233233 or in person at Fnac, Groenplaats, Antwerp)

BRUSSELS

Monnaie Tonight, tomorrow, Fri, Sat: Heinrich Schiff conducts concert performances of Fidelio, with Janis Martin and Nadine Secunde alternating as Leonore. Sep 25: José van Dam song recital (02-219 6341)

Palais des Beaux Arts Tomorrow: Peter Hirsch conducts Junge Deutsche Philharmonie in works by Janacek, Lalo and Brahms/Schoenberg. Thurs: Yuri Simonov conducts Belgian National Orchestra in Prokofiev and Shostakovich. Fri: Alexander Rahbari conducts Belgian Radio Orchestra in Beethoven's Ninth Symphony, with soloists Marie Ann Häggander, Linda Finnie, Edmund Barham and Jaakko Ryhänen. Sun afternoon: Pierre Bartholomée conducts Liege Philharmonic Orchestra and Chorus in Berlioz's Roméo et Juliette. Next Wed: Boulez conducts Boulez (tickets 02-507 8200 information 02-507 8410)

CHICAGO

CHICAGO SYMPHONY

The new season at Orchestra Hall opens on Fri with Verdi's Requiem conducted by Daniel Barenboim, with soloists Alessandra Marc, Waltraud Meier, Vicente Ombuena and Ferruccio Furlanetto (repeated Sep 18, 23, 25). Sun afternoon: Barenboim conducts all-Brahms programme (repeated Sep 22, 24, 28). Barenboim conducts two further programmes in early October (312-435 6666)

CHICAGO LYRIC OPERA

The 1993-4 season at Civic Opera House opens on Sat with a new production of La traviata, staged by Frank Galati and conducted by Bruno Bartoletti, with a cast led by June Anderson, Giuseppe Sabbatini and Dmitri Hvorostovsky (repeated Sep 22, 25, 28, Oct 1, 4). The second production is Massenet's Don Quichotte, opening on Sep 26 with Samuel Ramey in the title role (312-332 2244)

GENEVA

* Denyce Graves sings the title role in Carmen at the Grand Théâtre tomorrow, Sat, next Mon (also Sep 23, 26, 29, Oct 2). Gary Bertini conducts a new production staged by Adolfo Marsillach (022-311 2311)
* The opening production of the season at Théâtre de Carouge is Molière's Le Misanthrope, daily except Mon till Oct 11 (022-343 4343)
* The Royal Shakespeare Company brings Adrian Noble's production of The Winter's Tale to the Comédie from September 21 to 25 (022-320 5001)

GHENT

The first staged production in the renovated opera house is Otello, conducted by Stefan Soltesz and staged by Gilbert Deflo, with a cast led by Corneliu Murgu, Knut Skram and Elena Filipova (Sep 23, 26, 29, Oct 2). The season also includes Samson et Dalila, La bohème, L'incoronazione di Poppea, Lohengrin, Billy Budd and Die Fledermaus (091-225 2425)

LINZ

BRUCKNER FESTIVAL

Hillard Ensemble's programme tomorrow at the Brucknerhaus includes choral music by Bruckner, Pärts, Purcell and Cage. Martin Sieghart conducts a concert performance of Parsifal on Fri, with a cast including Robert Schunk, Hanna Schwarz and Bernd Weikl. The London Philharmonic gives the closing concerts on Oct 2 and 3 (0732-775230)

ROTTERDAM

De Doelen Thurs: Messiaen chamber music recital with Peter Donohoe and others. Fri: Ed Spanjaard conducts New Ensemble in a programme including Berio's Folksongs. Sat evening, Sun afternoon: Jeffrey Tate conducts Rotterdam Philharmonic Orchestra in works by Berlioz, Franck and Dukas, with viola soloist Rivka Golani. Sun evening: Ton Koopman directs Netherlands Radio Chamber Orchestra and Chorus in a Te Deum composed in 1734 by Antonio Teixeira (010-217 1717)

VIENNA

OPERA/DANCE

Tonight's performance at the Staatsoper is John Neumeier's ballet A Midsummer Night's Dream, music by Mendelssohn and Ligeti, repeated Fri and next Mon. Tomorrow: Entführung. Thurs: La boheme with Cecilia Gasdia. Sat: Salome with Catherine Malfitano and Leonie Rysanek. Sun: Donald Runnicles conducts Götterdämmerung with Hildegard Behrens and Wolfgang Schmidt (51444 2955)

CONCERTS

Riccardo Muti conducts the Vienna Philharmonic Orchestra in works by Haydn, Bartok and Schumann on Sat afternoon and Sun morning in the Musikverein. Alfred Brendel gives a piano recital next Tues, followed by Murray Perahia on Sep 30 (505 8190)

WASHINGTON

MUSIC

* Mstislav Rostropovich conducts the opening concerts of the National Symphony Orchestra's 1993-94 season on Thurs, Fri and Sat. The programme includes Prokofiev's Alexnader Nevsky, Tchaikovsky's 1812 and the American premiere of Augusta Read Thomas' Ancient Chimes (Kennedy Center Concert Hall 202-467 4600)
* David Zinman conducts the Baltimore Symphony Orchestra on Fri, Sat, Sun afternoon in works by Rimsky-Korsakov, Bruch and Grieg, with violin soloist Gil Shaham (Joseph Meyerhoff Symphony Hall, Baltimore 410-783 8000)

THEATRE

* Richard II: Shakespeare's historical drama with Richard Thomas in the title role. Opens tonight, till Oct 31 (Lansburgh Theater 202-393 2700)
* Distant Fires: Kevin Heelan's play about racism on a construction site. Opens tomorrow, till Oct 17 (Source Theater 202-462 1073)
* The Caretaker: Harold Pinter's modern classic. Till Oct 10 (Studio Theater 202-332 3300)
* The Kentucky Cycle: Robert Schenkkan's epic tale of three American families spans 200 years, and is divided into two parts played on separate evenings. Till Oct 23 (Kennedy Center Eisenhower Theater 202-467 4600)
* The Phantom of the Opera: Andrew Lloyd Webber's musical. Till Oct 2 (Kennedy Center Opera House 202-467 4600)

ZURICH

Opernhaus Tonight and Sat: Eliahu Inbal conducts Lehnhoff's production of Henze's Der Prinz von Homburg: cast led by Thomas Hampson. Tomorrow: La forza del destino. Thurs: Il barbiere di Siviglia. Fri: Lohengrin. Next Mon: Cecilia Bartoli song recital (01-262 0909)

Tonhalle Tonight, tomorrow, Thurs, Fri: Michael Stern conducts Tonhalle Orchestra in works by Stravinsky, Prokofiev and Strauss. Sun: Alfred Brendel Beethoven recital. Next Mon: Howard Griffiths conducts Collegium Novum Zurich in Henze's Requiem (01-261 1600)

ARTS GUIDE

Monday: Performing arts guide city by city.
Tuesday: Performing arts guide city by city.
Wednesday: Festivals Guide.
Thursday: Festivals Guide.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(All times are Central European Time)

MONDAY TO THURSDAY

Super Channel: European Business Today 0730; 2230
Monday Super Channel: West of Moscow 1230.
Super Channel: Financial Times Reports 0630
Wednesday Super Channel: Financial Times Reports 2130
Thursday Sky News: Financial Times Reports 2030; 0130
Friday Super Channel: European Business Today 0730; 2230
Sky News: Financial Times Reports 0530
Saturday Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230
Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

Joe Rogaly

Birth rights and wrongs

It was alarming to read last week that the use of caesarean operations to deliver British babies has nearly trebled over the past two decades. It would not have happened if the hospitals and senior doctors had not wrested the delivery business away from perfectly competent midwives. As we shall see in a moment, the government is preparing to help the midwives win back back their lost customer base. It will be a struggle, but even we males must cheer from the sidelines.

The disturbing news comes in "Caesarean Birth in Britain", whose authors include Professor Wendy Savage. Remember her? A celebrated campaigner for the right to natural childbirth, she is is still consultant obstetrician at the Royal London hospital. Her fellow-writers are Helen Lewison, chairman of the National Childbirth Trust, and two academics. The four of them note that in 1973 the proportion of deliveries by caesarean in England and Wales was an estimated 5.3 per cent. By last year, their research suggests, this figure had risen to 13 per cent.

The book contains a table of hospitals self-confident enough to allow their data to be published. It shows that the ceasarean operation was used in 7.9 per cent of deliveries at St John's hospital, Chelmsford and 21.5 per cent in Hammersmith, with all the numbers you can think of in between. Even if you take account of the careful note that "hospitals with high rates may well have specialist units and so receive pregnancies which are at greater risk" this variation is too wide to be explicable to lay observers. The inescapable conclusion is that some ceasareans may be medically necessary, but that many are probably not.

This is clearly true in the US where in 1991 nearly a quarter of all babies were delivered by caesarean, at a cost of $7.7bn. That is the highest ceasar-rate bar Brazil's, at doubtless the highest cost per delivery bar none, yet the US infant mortality record is worse than that of Japan, Sweden, Holland or Britain. Fear of being sued is one reason, but the self-interest of the surgeon must surely be another.

The use of the obstetrician's knife has increased in most developed countries, in concert, I suspect, with a growth in the sales of Jaguars, Mercedes and Cadillac cars to successful consultants. The process is not otherwise comprehensible. According to a US study, within a team of obstetricians caring for 1,553 affluent low-risk women at a community hospital, one practitioner operated in 19.1 per cent of births, another at a rate of 42.3 per cent.

Talk to almost any new mother and you will be deluged with anecdotal evidence suggesting that the convenience of the hospital, or its consultants, has a lot to do with the growth in the use of technological interventions. Mrs Virginia Bottomley, Britain's secretary for health, should arrange for league tables to be published annually, showing which maternity units use the most forceps deliveries, which the most caesareans, which induce labour most often – and which produce the highest proportions of healthy infants. Explanations and excuses could accompany the lists.

> **The government is preparing to help the midwives win back back their lost customer base. We males must cheer from the sidelines**

She should, however, be warned. The consultants, presumably excluding Professor Savage, will squeal. The West Midlands Regional Health Authority published league tables showing how long patients must wait for an operation with each of its 2,000 consultant surgeons. The British Medical Association was outraged. We may place our lives in the hands of this or that medical specialist, but doctors acting in a collective cannot be trusted with our wallets. Their trade unions, like the BMA, are among the most astute in the business; the higher up the professional scale their associations go, the more wily they become.

This is being demonstrated once again in the argument about midwives. A few weeks ago the government published a report on the maternity services drawn up by an expert committee under the chairmanship of Baroness Cumberlege. It noted the current department of health view that births should take place in hospital, since "unforeseen complications can occur in any birth" and set against it last year's pronouncement from the House of Commons select committee on health that "encouraging all women to give birth in hospitals cannot be justified on grounds of safety".

The Cumberlege report puts into moderate, semi-official language the deepest wishes of the National Childbirth Trust, aspirations that were once regarded as cranky nonsense. It calls for "woman-centred care," meaning that the prospective mother should be in control. She should be able to choose who takes her case, be it midwife, general practitioner or obstetrician. She should be able to arrange for a home birth, although she should then be given a health warning about the risks. She might reasonably expect that the same person, or the same small group of professionals, should manage the whole of her pregnancy. She should be fully informed of the options at all times, and have the right to take possession of her own case-notes.

The simple idea is that most confinements are straightforward, and thus capable of being brought to a happy conclusion at home or by the woman's personal midwife admitted (heavens!) to hospital with her. There *have* been tragedies in non-hospital births, but the same applies to births within high-tech maternity units. The report questions the assumption that "experienced personnel are always readily available within a general hospital". You might think that the consultants would embrace it enthusiastically, since releasing non-complicated births to the midwives would leave them more time in which to concentrate on the awkward cases.

Not so. The Royal College of Obstetricians & Gynaecologists says that it is "genuinely concerned" that some of the proposals in the Cumberlege report "may endanger the well-being of women and their babies". It insists that "review of every pregnancy by a medically qualified person is essential" – surely right – but insists that "the doctor best qualified to conduct that review is the obstetrician". Probably. Have they seen the dingy queues, sat for the long hours, waiting for a few moments with a consultant? As to home confinements, "the college's view is that this is not a safe alternative to delivery in properly equipped surroundings". So far as my lay mind can discover, that view is strongly disputed, although you have to believe in last-minute ambulance rides for cases that go life-threateningly wrong.

There is one necessary caveat. Nobody, so far as I can tell, has produced a profit and loss table. In-hospital confinements, particularly when operations ensue, sound more expensive than outpatient work by lowly-paid midwives. Mrs Bottomley is still mulling the Cumberlege report. Under pressure from the obstetricians, she released it as a discussion document, without fully endorsing it. If she decides to accept it, she should accompany the good news with figures to show that the best possible midwifery service is to be created, and that the exercise is not motivated by cost-cutting alone.

That little matter aside, the government would be wise to brave the wrath of the Royal College. Some women may *prefer* caesareans; some may long for natural births. Many will want their confinements to be in hospital, under an obstetrician's care; others will be more comfortable at home with a midwife. All should be given the necessary medical guidance with which to make an informed choice. What could be more 1990s Conservative than that?

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

A social side to business

From Mr N Shaw and others.

When Samuel Brittan told the British Association ("Social tasks of business", September 2) that there is a "systematic ambiguity" in the arguments for corporate responsibility, he missed a vital point.

Business in the Community has always agreed that the primary role of business is to create sustainable wealth by meeting customers' needs. We differ from Brittan in our belief that, by working in the wider community, business can help to build the social environment it needs for long-term wealth creation.

As unemployment rises the demand for goods contracts, and as crime rates soar the costs of security improvements and insurance premiums grow. So there are sound business reasons behind Unipart's project with government, police, magistrates and Oxford companies to combat car crime by training young offenders to tune up old cars and giving them the chance to race them.

Similarly, business needs well-educated and highly skilled people to succeed in more competitive global markets. That is why companies are playing a more active role in education and training by, for example, training teachers in skills like financial management and marketing and by giving young people quality work experience placements.

There is clear evidence that customers increasingly expect businesses to play their part in tackling social issues: in 1992, Mori research found that 73 per cent of adults are more inclined to buy products from companies that support the community and society.

At the same time, companies are choosing community involvement as a way to meet business needs for staff development and training, marketing, and building positive relationships with employees, customers, shareholders and local communities.

For instance, Marks and Spencer sends high-flyers to work for community organisations to broaden their experience and test their leadership potential; Grand Metropolitan encourages employees to get involved in community projects to build teams, motivation and morale; and Whitbread builds links with schools to enhance its local profile and position itself as an attractive employer.

A survey by MSS of the UK's top 1,000 companies found that 75 per cent believe that employee involvement in the community improves morale, 71 per cent that it builds teams and 65 per cent that it offers training opportunities. Employees are even more enthusiastic – 84 per cent told Mori that a company that supports society and the community is probably a good company to work for.

Samuel Brittan argued that corporate responsibility attempts to achieve public policy objectives "on the cheap". Our view is simply that business has legitimate interests in public policy matters.

Social priorities like protecting the environment, raising the quality of education and regenerating local communities call for participation by all partners in society – seen in relatively recent partnerships like Training and Enterprise Councils and City Challenges. This is not about business replacing government, but "adding value" by bringing its own skills, attitudes and resources to the public policy table.

Brittan said that "several" business leaders are associated with Business in the Community. If that includes the leaders of Business in the Community's 470 member companies, the 6,000 leaders of companies who support small businesses through local enterprise agencies and the tens of thousands of executives who get involved with schools, then we are happy to be among the "several".

Neil Shaw, *executive chairman, Tate & Lyle, chairman, Business in the Community,*
Martin Findlay, *vice-chairman, Business in the Community, 8 Stratton Street, London W1*
Eric Nicoli, *group chief executive, United Biscuits (Holdings),*
Sir Anthony Cleaver, *chairman, IBM (UK),*
Michael Heron, *chairman, The Post Office,*
Sir Allen Sheppard, *chairman, Grand Metropolitan,*
Peter Davis, *chairman, Reed Elsevier,*
Nicholas Hood, *chairman, Wessex Water*

From Mr Andrew Campbell.

Sir, Samuel Brittan seems to assume that corporate responsibility is about deciding how to divide up the cake, and concludes that the shareholders will win any tug-of-war with the community over how profits are divided.

Socially responsible behaviour by business managers is not about managing the tug-of-war. It is about finding ways of managing the productive activities of the business so that a greater contribution can be made to the community without diminishing productivity or competitiveness. Being socially responsible requires creativity and entrepreneurial flair, not charity.

Corporate responsibility is about business purpose. A management team wanting to create a "responsible" corporation is unlikely to have "maximising shareholder value" as its business purpose. Like Sainsbury's primary objective "to discharge the responsibility as leaders in our trade" or Body Shop's desire to promote cosmetics that are not tested on animals, responsible corporations are likely to have responsible purposes.

Brittan confuses objectives and constraints. He assumes that long-term profitability is an objective and accuses proponents of corporate responsibility of a "systematic ambiguity". He fails to recognise that all businesses, whatever purpose they choose, must create value for their active stakeholders – shareholders, customers, employees, suppliers. Long-term profitability is normally a central part of creating this value, but it is not the objective. The need to create value is a constraint not a purpose.

Andrew Campbell,
director,
Ashridge Strategic Management Centre,
17 Portland Place,
London W1N 3AF

> **Samuel Brittan's views on the legitimacy of the social elements of corporate responsibility, reported on September 2, generated a large number of letters. This is a selection**

From Mr Terry Thomas.

Sir, Samuel Brittan is out of touch with the times if he thinks business and the community should keep their distance. In the Co-operative Bank (and movement) we have a natural relationship going back a century and a half with the community which created us, but today most businesses are rediscovering ethical and community values.

There has been a distance between business and local activists which needed to be bridged. Now, for example, we – and many other local businesses – are working with Manchester and neighbouring authorities, supported by the prime minister, to bring the Olympics to the north-west and new prosperity to east Manchester. Through that, we are all learning how much more we can achieve working together for the community and for our businesses.

Economists say that in the long run ethical businesses prosper. Few of Britain's biggest and best businesses today would not claim to be part of their communities. It is not a fashion – it is the long-term recipe for success.

Terry Thomas,
managing director,
The Co-operative Bank,
1 Balloon Street,
Manchester M60 4EP

From Mr Graham Simon.

Sir, By raising many good questions while providing little in the way of answers, Samuel Brittan's comments accurately reflect the current, underdeveloped state of economic thinking on the subject of ethics.

Perhaps the reason lies in the dichotomy in western thought between the "self" and "others". Economic theory is based on the premise that people act in their own self-interest, the "self" is implicitly understood to mean the individual or, at a stretch, the family unit. Sacrificial acts done for the sake of "others" are viewed as an anomaly. To fit such acts into their theoretical framework, economists must rationalise them as bringing a sort of perverse satisfaction to the doer.

Brittan concludes that economics needs to be expanded to take account of values. I would suggest a more metaphysical approach: expand, through education, peoples' consciousness of "self" so that it embraces not only their individual being but their community, nation, the world, and ultimately the whole creation.

Manufacturers that felt no sense of separation from the environment would baulk at the thought of polluting the air or water to cut costs. Citizens of rich nations who felt at one with poorer peoples of the world would find it much easier to mobilise the resources needed to eradicate famine and disease. In essence, expanding our awareness of "self" would not invalidate economic theory, but it would dramatically change the choices we make as individuals and societies.

Of course, there are serious obstacles to achieving this. Our educational system would need to be rebuilt around a core set of moral and spiritual precepts. Gaining consensus on the content of this set would be a monumental task. But here, the economists can help. In the 1960s, the work of Theodore Schultz and Gary Becker on investment in education and training altered the attitudes of policymakers worldwide towards the importance of "human capital". Similarly, if today's economists were able empirically to link economic advancement to factors like family values, sense of community, trust, and integrity among leaders, our policymakers might invest more aggressively in society's stock of "spiritual capital".

Graham Simon,
Castle Tama-Pla 201,
Utsukushigaoka 1-11-30,
Midori-ku, Yokohama-shi,
Japan 225

From Mr Alastair Bruce.

Sir, Samuel Brittan sees an ambiguity in the position of proponents of "socially responsible" business. Do they claim the extra activities will help a business's long-term profitability? Or do they assert that a business should follow different objectives? The answer to both questions is "yes".

Business support for community and social causes may contribute to long-term profit in three ways: by creating a favourable image of the company with potential customers, setting it apart from its competitors; by improving the motivation and productivity of its employees; and by expanding the market for its products through fostering a stable, prosperous and well-educated community, in however small a way. Appropriate external activities can make business people sharper, more adaptable and less insular.

Few would see making profits as business's only responsibility. The manner in which those profits are pursued, and the ways in which business can help meet wider national goals, also matter, even if it is harder to define good measures of success for them.

There is another justification for "socially responsible" business, only hinted at by Samuel Brittan. Skills and experience developed in business can be usefully applied to tackling some aspects of the social problems he mentions, the men and women in Whitehall, or in the townhall, may not always know best.

Of course, it is wrong to expect "corporate executives ... to undertake a large burden of public duties". But it would be even more wrong not to tap the talents of business people as part of our combined efforts to deal with public issues that concern us all.

Alastair Bruce,
Bruce Naughton Wade,
public affairs management counsellors,
Enterprise House,
59-65 Upper Ground,
London SE1 9PQ

From Mr Michael Tuffrey.

Sir, More than a touch of cynicism seems to have crept into Samuel Brittan's address. No one is seriously asking "corporations to take on a pseudo-governmental role" nor "to achieve public policy objectives on the cheap". However, they are rightly being asked to concern themselves with issues in society that directly affect their businesses.

For example, companies need well-educated and trained school leavers and graduates to ensure future profitability. Should they stay shut up in their narrow business world, wholly concentrating on making money today, as Brittan implies, or should they enter into partnership with the public sector and the wider community, spelling out their needs and working with the other sectors to achieve solutions? Deep-seated problems like educational under-achievement can only be solved if all the parties to the solution co-ordinate their efforts.

The simple fact is, business can only prosper long term in the context of a stable, prosperous society.

Michael Tuffrey,
editor,
Community Affairs Briefing,
14 Soho Square,
London W1V 5FB

What wealth is really about

From Mr Angus Wright.

Sir, Of what is Prof John Broome a professor? Capitalism does not, as he asserts ("Morality of greed and nepotism", September 11/12), reward either talent, or hard work, glibness or goodness. It rewards only risk, daringly courted and successfully overcome. This is not mere captiousness. Unless we can create a wider understanding of how the wealth which we all need for our living is really created, then academic degrees and high morality notwithstanding, we shall simply destroy each other over an inexorably dwindling pool of resources.

I know you understand this, sir; but how many more professors are there out there?

Angus Wright,
11 Blenheim Avenue,
Southampton

British role in Bolivia's lost sea link

From Mr Philip Whiteley.

Sir, I loved Christina Lamb's description of the Bolivian navy ("Despatches: The navy lark", September 11/12), but what a shame she doesn't know the story behind the disappearance of the country from Victorian maps and the British collusion with Chile to rob Bolivia of its access to the sea.

The problem began with an unfortunate decision by Bolivia's humorous but mentally ill president of the 1860s, Mariano Melgarejo. He decided to punish the British ambassador for having the temerity to say that he didn't much care for the qualities of chicha (part-fermented wine: a South American favourite of the period). His punishment was to drink an entire barrel of chocolate and then be led, facing backwards, astride a donkey through the main street of La Paz. He was sent back to London.

In response, Queen Victoria reputedly asked for a map of South America, drew a cross in chalk through Bolivia, and declared furiously: "Bolivia doesn't exist."

Britain was, in fact, the real victor of the War of the Pacific, for while Chile gained the territory, a convenient coup prevented President Balmaceda from nationalising the nitrate mining concerns, which remained under the control of the Liverpool Nitrate Company.

Philip Whiteley,
2 Stone Farm Cottages,
Bognor Road,
Warnham,
West Sussex RH12 4 SL

Unfair view of who was attacking the Somalis

From Mr Thomas B Siebens.

Sir, Your headline, "Many killed in US attack on Somalis" (September 10) follows the rest of the English press in yet another slur against the US. Had a Royal Air Force helicopter been involved, would the headline refer to a "UK attack" on Somalis?

Perhaps in that case you would be more inclined to an even-handed "UN attack" or heroic "UK rescue of UN troops".

Thomas B Siebens,
2 Brunswick Gardens,
London W8 4AJ

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700
Tuesday September 14 1993

Limiting the risks at Lloyd's

LLOYD'S of London has taken a decisive step towards abandoning its proudest boast: the unlimited liability, down to the last cuff-link, of everyone who stands behind the market's insurance policies.

None the less, the rules under which limited liability companies will be allowed to become Lloyd's members, published yesterday, offer the best hope of preserving the rest of the market's traditions.

Lloyd's faces four interlinked problems: the trail of "long-tail" claims for environmental and product liabilities under old US policies; the litigation crisis, which has threatened to tie up much of the market in an endless spiral of claims and lawsuits about the underwriting errors of the late 1980s and early 1990s; the flight of capital, as Names damaged by those losses take the first opportunity to escape from the market; and the growing threat to Lloyd's from rival centres, especially Bermuda.

If the attempt to woo corporate capital is successful, it will address each of these issues. Once professional investors start to take advantage of the new incorporated Lloyd's vehicles, they will be signalling their faith in the management's strategy of erecting a "ring-fence" to protect new participants from the damage of the past. A vote of confidence in the ring fence is the best indicator available that the long-tail and litigation problems are not enough to threaten Lloyd's survival, as at one time seemed possible.

The supply of incorporated funds will also help ensure Lloyd's has a strong enough capital base in the future to underwrite the scale of business necessary to cover its fixed costs. Mr Peter Middleton, Lloyd's chief executive, says the market is not facing an immediate shortfall of capital, but needs corporate funds as a guarantee that future inflows will be adequate to meet its needs.

Similarly, a flood of new capital would be an indication that, though Lloyd's is losing its monopoly on specialist insurance skills, it still has the power to attract new money.

Much turns, therefore, on the response to the new incorporated opportunities. Initial indications are positive: investment banks say that, despite the damage of recent years, the Lloyd's name and the current healthy state of reinsurance rates are enough to attract keen investor interest.

Mr Middleton is well aware, however, that the key to success is the extent to which Lloyd's meets its new goals of lower costs and greater professionalism. Without that, Lloyd's brave gesture of opening itself to corporate membership will be an empty one. In the long run, capital is only available to financial institutions demonstrating sustained profitability. Once, that was Lloyd's second-proudest boast. The market's members must hope it proves more durable than the first.

Greek morass

AFTER A long spell of profligacy during the 1980s, Greece has made steady, though still inadequate, progress towards improving its chronically poor reputation for economic management. Restrictive monetary and fiscal measures undertaken by Prime Minister Constantine Mitsotakis have succeeded in halving the budget deficit from the 1990 figure of 21 per cent of gross domestic product. Inflation has fallen to 15 per cent from 20 per cent. The current account deficit has declined to less than 3 per cent of GDP, partly owing to increased EC transfers, now about 5 per cent of GDP.

These changes, coinciding with Europe-wide recession and the consequences of the Yugoslav conflict, have been sufficiently painful to increase Mr Mitsotakis's electoral unpopularity. But they have not gone far enough to correct fundamental flaws in the economic and political structure of the poorest member of the EC. As a result of last week's resignation of Mr Mitsotakis's government, prompted by an internal revolt, Greece faces general elections on October 10, bringing political uncertainty that could delay or reverse necessary reforms.

The opposition Panhellenic Socialist Movement is ahead in the opinion polls. But its leadership looks unsuited to solving Greece's problems of low growth and investment, high subsidies, an undersized manufacturing base and a large, inefficient public sector. The party is headed by the ailing Mr Andreas Papandreou, whose wayward prime ministership between 1981 and 1989 greatly exacerbated these difficulties. Although the Socialists have toned down their interventionist policies, their return would disrupt Greece's efforts at privatisation and deregulation.

Furthermore, the election campaign could stir up more squabbling over former Yugoslavia, further lowering Greece's ability to play a positive role in EC policies towards the Balkans. Last week's rebellion against Mr Mitsotakis was led by Mr Antonis Samaras, the former foreign minister, sacked last year for refusing to compromise over EC recognition of neighbouring Macedonia.

Whichever party holds power must face up to unpalatable realities. Greece should put aside any illusions of participating in economic and monetary union for at least a decade, probably for much longer. Its main priority must be to bring its governmental and industrial infrastructure into line with modern requirements.

EC funding has a considerable part to play in assisting this transition. But the money will not be forthcoming unless the country makes still greater efforts to achieve convergence with its European neighbours. That will require strict monitoring from Brussels, as well as strong will in Athens. Since it joined the EC in 1981, Greece has become an ever more marginalised member of a wider Community. Unless Greece achieves better macroeconomic balance, and presses on with administrative reform, that uncomfortable process will accelerate in the 1990s, as the EC turns its attention increasingly to new members in the north and east of the continent.

UN killing field

"We went to Somalia to prevent people from starving to death. Now we are killing women and children. It's got to stop." With those words, Senator John McCain of Arizona last week summed up the dilemma facing the US and other troops participating in the United Nations operation in Somalia. What started as a humanitarian mission has become a military quagmire. What hope the UN ever had of beginning the task of national reconciliation and restoring a semblance of normal administration has been lost. Its troops are locked in a deadly game of cat-and-mouse with Mogadishu's principal warlord, Gen Aideed, and increasing numbers of the capital's citizens are being caught in the crossfire.

And for what purpose? Mr Boutros Boutros Ghali, UN secretary-general, blithely insists that the men operating under his flag are engaged in a campaign "to reconstruct (Somalia's) political, social and material infrastructure", to disarm warring factions, apprehend "criminal elements" and establish a national police force, prison system and judiciary.

That is not how it looks on the ground. Conditions may have improved in the Somali countryside, but the capital risks becoming a killing field. UN officials argue that apprehending Gen Aideed is crucial to their mission and that they cannot allow his shameless use of children as human shields to divert them. But there is at least as great a danger that the onslaught on his fiefdom in southern Mogadishu will simply inflame the situation further.

Insufficient effort is being devoted to a political initiative of the sort that alone can give representative Somali leaders a stake in determining their future. Nor do UN officials show much sign of being ready to take on the full civil and administrative responsibilities that their involvement in a country without a government implies. Indeed, they cannot, for their political masters in New York have yet to face up to the consequences of their decisions and make Somalia a UN trusteeship. Their failure to do so leaves the operation in a legal limbo, reliant on a military campaign as open-ended as it is inadequate, and shorn of political legitimacy among Somalis themselves.

It is time for Mr Boutros Ghali and for the Security Council to take direct control and reappraise what they are trying to achieve. If they conclude that a broader-based initiative involving political reconciliation and administrative reconstruction is feasible and affordable, they should undertake it without delay. If not, they should pull out. Doing so would not necessarily make it any harder to deliver humanitarian aid than it has already become. And any harm the UN would thereby inflict on the credibility of its peacekeeping operations elsewhere would be small compared with the damage it will do by sinking further into the quagmire.

Italy's budget concentrates on spending cuts rather than increased taxes, writes Robert Graham

Dolorosa vita in the public sector

As governor of the Bank of Italy for 13 years, Mr Carlo Azeglio Ciampi took successive governments to task for inadequate budgets and lax control of public spending.

The 72-year-old former central banker has now had a chance to practice what he has been preaching in his first budget. This was presented in detail last Friday, and will shortly be debated in parliament. Steering the budget through parliament could be the last act of what is a transitional government, preparing for early elections under new laws probably next spring.

Reactions so far have been subdued but parliament is likely to give Prime Minister Ciampi a rough ride. "The first we knew of the details was from the newspapers," commented one senior Christian Democrat politician.

For the first time, the budget was drawn up on econonomic and technical criteria rather than overtly political considerations. The politicians in the notional four-party coalition which provides Mr Ciampi's parliamentary majority, were given little say. The proposed shake-up in the public administration and cuts in civil service privileges – the focal point of Mr Ciampi's axe – will face strong resistance because they aim to cut away at a network of politically controlled client relationships established over the past 45 years.

As with the current year's budget introduced by the Amato government, the choices have been dictated by circumstances. To recoup international credibility and bring Italy's finances more in line with those elsewhere in the EC, the public sector deficit has to be brought down well below 10 per cent of gross domestic product.

Mr Ciampi and his team of three economics ministers have had to balance the clear need for continued austerity against the fear of sending the economy into an even deeper recession. Thus, on the one hand, if public spending had gone unchecked, the deficit next year would have risen to more than 11 per cent of GDP. This was even after the 1993 budget raised an unprecedented L93,000bn (£2.94bn) through extra taxes and spending cuts.

On the other hand, domestic demand has contracted sharply in the first half of this year – demand for consumer durables and capital goods dropped 10 per cent – and the number of jobless has risen to more than 10.5 per cent of the active population. The recession, which began in mid-1992, has yet to bottom out. Only on the most optimistic scenarios will the recovery start in the first quarter of 1994, and yesterday Mr Antonio Fazio, the governor of the Bank of Italy, warned that any pick-up in employment would lag behind the first signs of recovery.

Within these parameters, the government has decided to hold the public sector deficit down to L144,000bn – equivalent to 8.7 per cent of GDP – compared with this year's L155,000bn. To do this, the government will be raising some L32,000bn.

"The big difference is that this year we have put nearly all our emphasis on raising money through spending cuts rather than increasing taxes – the level of taxation should actually drop 1 per cent," says one official involved in formulating the budget.

Traditionally, Italian budgets have raised money through one-off measures or increasing taxes (and so encouraging greater tax evasion). The Amato government relied heavily for the 1993 budget on new taxes, including the introduction of a highly unpopular 'minimum tax' designed to catch the large number of self-employed in the tax net by fixing minimal assessments for specific jobs.

Rather than raise taxes, this budget concentrates on the cost-cutting side. This is being done both in the form of across-the-board ministerial spending cuts; but more importantly through structural changes. Government departments are to be rationalised and given performance targets. A series of inter-ministerial committees and other quangos are being abolished; some 100,000 civil servants are being told to switch jobs or leave, and there is a freeze on employment. Bureaucrats can no longer assume they have jobs for life or opt for the early retirement of 20 years' work on a full pension. In future, those who leave before 35 years' work will lose their pension rights on a progressive scale.

The education ministry, controlling 1.1m persons in the form of teachers and bureacrats, a third of all state employers, will have individual budgets and the number of teachers will be cut to reflect the country's static population (Italy has the lowest student-teacher ratio in Europe because teachers have been hired annually on a quota basis regardless of trends in school population).

Unlike the previous two budgets, which have contained unrealistic estimates of privatisation revenues, such asset disposals will go towards debt reduction and not be counted as a budget receipt. Ministers estimate that the combined effect of these administrative reforms could save L4,000bn; but, they add, the figure could go as high as L10,000bn, or more than a third of all the cuts being sought.

Mr Ciampi pointedly said last week: "We are spreading the burden of sacrifice equally, above all on those in stable employment." The public sector has been pampered for too long, and as if to underline the point there will only be L1,000bn for wage increases next year. This is under half the projected 3.7 per cent annual rate of inflation for 1994.

Economists, as well as Mr Ciampi's former colleagues in the Bank of Italy, have focused less on the 1994 budget and more on the three-year outline strategy behind it. According to Professor Mario Monti, a leading Italian economist, the three-year macroeconomic plan is too modest in reducing both the public sector deficit and the overall size of the debt mountain.

For instance, by 1996 the public sector deficit is still expected to be 5.8 per cent of GDP. As for the overall size of Italy's debt, a third of all the EC's, this is forecast to go on rising from 110 per cent to 123 per cent of GDP by 1996, before dropping. The continued need to borrow heavily and the cost of debt service – about L180,000bn a year – explains the government's determination to emphasise the primary balance in the 1994 budget – nearly 2 per cent of GDP. In other words, strip out the cost of debt service and Italy's public finances already show an improvement.

The debt service is costly. But each percentage point drop in interest rates permits an annual saving of nearly L15,000bn. Compared with this time last year, when Europe's currency crisis forced the Bank of Italy to defend the lira with a discount rate of 15 per cent, the rate is now just over half at 8.5 per cent – the lowest since 1976. Italy still has a real interest rate of nearly 5 per cent, high in relation to its main EC partners. But this is an inevitable consequence of having to provide attractive rates for investors to buy Italian debt.

Attracting buyers of Italian debt in turn makes it difficult for the Bank of Italy to encourage the further fall in interest rates, which industrialists are clamouring for to ease them through the remainder of the recession. The industrialists nevertheless are benefiting from a deceleration in the wages bill. On average, private sector wages have increased this year at just over 4 per cent, below the level of inflation; while public sector pay rises have been even more restricted.

In July the employers, unions and government signed an historic tripartite agreement which removed the traditional linkage between inflation and wages. The pact laid down that for the next four years wages could not exceed inflation and increases had to be linked to productivity. This removes the worry of any wage-fed inflation as the unions place job security above pay, providing the agreement is honoured.

Modest wage demands, combined with last September's devaluation and float of the lira outside the ERM, have had a dramatic impact on exports, which have grown this year by 11 per cent to the EC. The surge in exports, despite recession in Germany and France, Italy's main markets, has helped offset the decline in domestic demand and sustain jobs.

The success of Italy's exports has underlined the value of its competitive devaluation. But it has also raised questions about how and when Italy can rejoin the ERM. The floating lira is too convenient to discard for the time being.

Parliament has until December 30 to approve the budget but this deadline could slip as in the past. If Mr Ciampi wants quick assent he will have to resort to confidence motions, and this will show the weakness of the government coalition and underline that only a newly elected parliament can tackle in depth Italy's public finances.

Annual % change	1993	1994	1995	1996
GDP	-0.3	1.7	2.7	3.0
Exports	7.6	7.4	7.7	7.5
Consumer prices	4.4	3.7	3.2	2.4
Rise/decrease in employment	-1.2	0.2	1.1	1.8

Source: Confindustria

David Lascelles on an study that points to a greater reliance on coal and nuclear power

Cold comfort in future

The world has enough energy to last at least another 50 years, which is roughly when the oil and gas are expected to run out. But after that, what?

A futuristic look at the world's energy supplies has just been compiled by the World Energy Council, a non-governmental organisation representing more than 100 countries. Energy for Tomorrow's World tries to supply some of the answers.

Sure, there will be new-fangled inventions such as hot rocks, super batteries and cars that run on water. New industrial processes using much less energy will also be developed. But none of them can be predicted with certainty. Nor does the report think that renewables such as wind, solar and tidal can make more than a marginal contribution because of their natural limitations.

The two energy sources most likely to meet demand in the second half of the next century, the WEC thinks, are coal and nuclear power. Reserves of coal are currently sufficient for another 250 years, though that may shrink if we start burning more of it. The technical potential for nuclear power is "immense", according to the report.

This conclusion, though not wholly original, is bound to send shudders down millions of spines. These are precisely the fuel sources which give rise to the greatest controversy today and for which there is probably the least amount of popular support.

Assuming the report is right (the four-year effort that went into it makes it one of the most thorough ever compiled), what can the world do about it? Several things, according to its authors.

The first is to try and curb the growth in demand. If we only tinker with the problem, energy consumption could nearly double between now and 2020. This would put a heavy strain on resources, particularly in the third world where most of this growth will occur. But an energy efficiency drive could reduce that growth to only 28 per cent over the same period, providing benefits not just to the energy picture but also the environment. The scope for energy saving is huge: a modern industrial economy wastes more than 95 per cent of the fuel it consumes in traffic jams, heat loss and inefficient electricity generation.

The second is to use technology to find better ways of providing energy: recovering more from known reserves, or developing unconventional fossil fuels such as tar sands, shale oil and synthetic gas.

Today's abundance must not obscure the need for action to deal with next century's problems

The third is to jack up the price of energy to make it reflect environmental costs which are currently "free" such as the atmosphere. "There will be a growing awareness that the price of energy has in general terms been too cheap..." says the report.

The fourth is to develop ways of making coal and nuclear more acceptable. Technology can go "a long way" towards cleaning up coal, and by early next century advanced gasification techniques could be in use. The situation with nuclear is more complicated because it is both a matter of developing advanced technologies, and convincing the public that nuclear power is safe, and that radioactive waste can be handled. Known supplies of uranium are not sufficient to keep nuclear power going in the long term, which means that the industry will have to turn to "breeder" technology which uses the even more unpopular plutonium. However, nuclear fusion, which uses light elements such as hydrogen or helium, could be in commercial use by 2040.

A factor that weighs heavily in the balance of choice is the environment.

The WEC report says that the deterioration of the atmosphere is likely to continue for much longer than is implied by recent international agreements to curb carbon dioxide emissions (industrial countries have pledged to reduce emissions to 1990 levels by 2000). Only the most "ecologically-driven" of the report's four scenarios sees a fall in atmospheric CO_2 levels during the next century. In all the others it continues to rise beyond 2100, mainly because of population growth in the third world. The report remains agnostic on whether carbon dioxide causes global warming, as many believe, but leaves little doubt about the trends.

For once, this is not a doomsday report about the lights going out. But it will be a scare story for people who are concerned about heavy reliance on nuclear and coal – at least as we know those fuels today. The message the authors want to get across is that today's energy abundance must not obscure the need for timely action to deal with next century's problems.

OBSERVER

Corporate convictions

■ The prominent City members of the Cadbury committee appear to have placed greater emphasis on honing their corporate responsibility skills than on exercising the profit motive.

For although the report of the committee on the financial aspects of corporate governance, chaired by Sir Adrian Cadbury and published in December last year, has become an unexpected best-seller, with nearly 7,000 copies flogged to date, at £10 a go, the committee does not stand to benefit.

And that robust sales figure comes on top of the 5,000-odd copies which Cadbury required to be sent free to companies and accountancy firms.

Sales of the report should have generated a tidy sum for Gee, part of Professional Publishing, which printed the report. However, Gee will be the only beneficiary, as the committee signed away to the publishers all its rights to sale proceeds, royalties and reproduction fees from other publishers.

The committee should have known better. Its draft report, issued last July and distributed for free to encourage comments, was so popular it had to send out 13,500 copies, footing the printing and postage bill itself.

Having relinquished the opportunity of making some money from its activities, the Cadbury committee will now have to rely on continued sponsorship from sympathetic organisations and businesses if it is to fulfil its plans for future work.

Gorby the Great

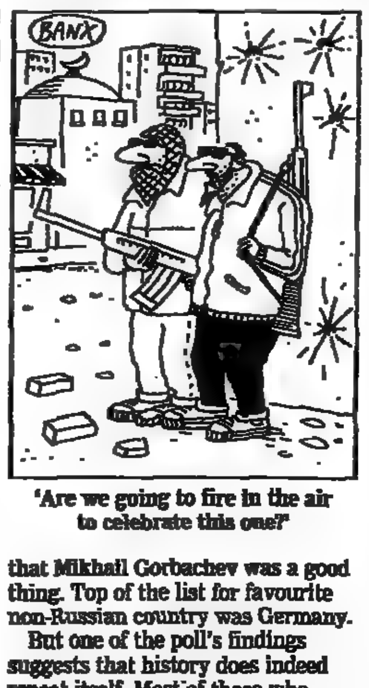
■ Would that Peter the Great were still ruling his empire. Well, that's one school of thought; it seems that in the highest levels at the Kremlin, Russia's elite falls into two camps when it comes to foreign policy.

According to a poll of 130 top Russian diplomats and politicians conducted by the Moscow office of the Friedrich Ebert Fund, the German social democratic think-tank, Moscow's foreign policy establishment is now divided between the "westernisers" – who favour a US or European-style democracy – and the "slavophiles" – who hanker after a return to a Peter the Great style of government.

On the other hand, only 15 per cent would like to see a return to strong authoritarian rule or dictatorship; even fewer – 4 per cent – think Russia should once more become a superpower. More than half are content to be just one of the world's five great powers; 30 per cent would be happy to make it to the top 15.

A market system is favoured by 81 per cent and a majority think that Mikhail Gorbachev was a good thing. Top of the list for favourite non-Russian country was Germany.

But one of the poll's findings suggests that history does indeed repeat itself. Most of those who participated believe that the current crop of politicians is more corrupt, greedy, immoral, hypocritical and ruthless than the pre-1985 communists.



'Are we going to fire in the air to celebrate this one?'

Jurassic jitters

■ To listen to France's culture minister, Jacques Toubon, you would think that Stephen Spielberg's "velociraptors" were about to step off French screens and devour their audiences.

At last weekend's Deauville festival of American films, Toubon cited Jurassic Park – released in France next month – as the latest example of Hollywood's cultural invasion of his country.

Such is the dominance of US film-makers and distributors that one in every five French cinemas will be showing it, he complained; the dinosaur spectacular "is very impressive, but not at all moving nor human, because of its special effects, and it threatens the French identity".

But, despite the fears of Toubon, many French seem to be happy to let their identity be threatened. A poll last month for the Nouvelle Economiste magazine showed that 80-83 per cent of those in the prime cinema-going age group of 18-34 considered American productions as good or better than French films.

City biker

■ Peter Middleton, the chief executive of Lloyd's of London and renowned motorbike enthusiast has been making good use of biking jargon. The attachment of stabilisers to a motorbike, he argued yesterday, was comparable to the introduction of corporate capital to Lloyd's; corporate capital would add both confidence and security to the beleaguered Lloyd's market as it attempts to claw back profitability.

Middleton, who regularly commutes from his west London home to the City, had good reason to be thinking along those metaphorical lines. On Friday night his 800cc Suzuki skidded in front of an oncoming car, depositing the Lloyd's chief into Gracechurch Street. Fortunately he was only bruised, and not so badly as Lloyd's.

Payee only

■ The plight of the poor old Tories has resulted in a rash of stories – some in cataclysmic terms – in the British media lately. No, not the PM's waning popularity or the revolt waiting to happen at the party conference but the suggestion that the party's finances are less than ideally healthy.

But lo! Talk of the deficit, put at £19m by some, has produced a trickle of cheques into Conservative headquarters at Smith Square, accompanied by letters from loyal supporters saying that they hadn't realised the situation was so grim.

"We're still waiting for the £19m cheque, but it all helps," said a grateful party official yesterday.

Bristling

■ Graffito on a wall hard by Bromley-by-Bow tube station – "Anti-vandal paint". QED or a certain chutzpah?

FINANCIAL TIMES
Tuesday September 14 1993

Kohl will campaign on law and order platform

By Quentin Peel and Judy Dempsey in Berlin

GERMAN chancellor Helmut Kohl spelt out law and order and economic security yesterday as the twin themes of his campaign for re-election next year.

In a broad-ranging restatement of his vision of a unified Germany, anchored in the European Community and the Nato alliance, he denounced the rise of rightwing violence as a threat to Germany's internal order as well as its international image.

At the same time he insisted that Germans should not be ashamed of asserting their national identity within a united Europe. Patriotism must not be abandoned as a preserve of the extremists, he warned.

In his keynote address to the annual conference of his Christian Democratic Union, the principal party in the ruling German coalition, Mr Kohl hammered home his other main election theme: the need for far-reaching reforms of Germany's education system, working practices and social security, to ensure the international competitiveness of the German economy.

It was a speech intended to appeal to the broad middle ground of German politics, a denunciation of extremes in all their forms, and a thoughtful analysis of the biggest challenges facing German society in the wake of unification.

It contained by far the strongest denunciation he has yet voiced of rightwing extremism, racist violence and the rise of new neo-Nazi splinter groups. It was also an impressive restatement of Mr Kohl's conviction that German unification and European unification are two sides of a single coin.

Yet it was not the rabble-rousing address at the start of a marathon election year that the party faithful wanted. It was a statesmanlike speech, not a party-political broadcast, and the 1,000 CDU delegates in Berlin's echoing international congress centre received it politely but without obvious enthusiasm.

The chancellor may fail to inspire standing ovations, but he is supremely confident of his position as the architect of unification, the dominant figure on the political scene, and the only chancellor-candidate the CDU has.

"At a time of sweeping change, the people need direction and stability," he declared. "The people want security. We are the ones who take their worries seriously."

He spelt out his firm commitment to the present ruling coalition – with the Bavaria-based Christian Social Union and the liberal Free Democratic party – and, by implication, a rejection of suggestions that a grand coalition with the opposition Social Democrats would be preferable.

At a time of uncertainty, he implied, the voters would stick to the devil they knew, and that meant Helmut Kohl.

His vision of economic security did not mean "fortress Germany," he said.

It meant reform of Germany's entrenched labour practices and of its excessively academic and over-long education system, to ensure competitiveness.

He warned that financing of the social security and pensions system must be reviewed to cope with an ageing population.

His emphasis on law and order is a clear response to voters' concerns, driving the election campaign in Hamburg, where both the CDU and SPD are fearful of a rise of the far right in next Sunday's poll. For once, he pulled no punches in his condemnation of the extreme right.

Bribery, negligence and fraud cost Hungarian banks $170m

By Nicholas Denton in Budapest

CRIMINAL inquiries into Hungarian banks have uncovered $170m-$190m in losses because of fraud, negligence, bribery and other offences, the chief prosecutor's office has announced.

Under investigation are 42 cases covering the spectrum of financial crime. In several instances, bank managers are alleged to have accepted bribes to underscore credit risk, overlook faked security or grant preferential loans.

In the largest single case, the authorities are taking action against the management of Ybl Bank, a private bank, which collapsed last year, over misuse of Ft6bn ($63m) of deposits.

Mr Ivan Szabo, the Hungarian finance minister, blamed the proliferation of corruption on the spread of the black economy, which some estimates put at 25 per cent of gross domestic product.

Officials played down the significance of bank corruption, saying most of the cases were old ones which had taken time to work their way through a slow legal system.

The latest burst of media interest in the problems of Hungarian banks coincided with the presence in Budapest of a World Bank delegation, which is considering aid for a financial sector laden with bad debts.

The Budapest authorities remain confident the World Bank will grant a loan of $200m-$300m to help recapitalise the country's commercial banks. A World Bank report earlier this year found some banks "technically insolvent according to international accounting standards".

Bankers said a more significant problem, though not a legal one, was represented by discretionary lending by local bank managers: central reporting systems are only now being introduced, as public suspicion grows that corruption is widespread.

French Treasury chief to head Bank of France

By John Ridding in Paris

MR Jean-Claude Trichet, a supporter of a strong franc and tough anti-inflationary policies, was yesterday appointed governor of the Bank of France. He succeeds Mr Jacques de Larosière, who was elected last month as head of the European Bank for Reconstruction and Development.

Mr Trichet, currently head of the French Treasury, the most powerful financial position in the civil service, will be the first governor of an independent French central bank. Under legislation expected to be implemented later this year after the final ratification of the Maastricht treaty on European union, the Bank of France is granted autonomy in the formulation of monetary policy.

The new governor, who will take up his post on Thursday, will also face the challenge of determining French monetary policy in the wake of the recent crisis in the European exchange rate mechanism. The crisis broke the close link between the French franc and the D-Mark, a central element of French monetary policy in recent years.

Mr Edmond Alphandéry, economy minister, said that Mr Trichet was "the right man for the job" because of his experience of public and monetary affairs. Mr Trichet has had a long career in the French finance ministry and is head of the EC's monetary committee. Since 1985 he has been chairman of the Paris Club of western creditor nations.

Bankers and economists in Paris said that Mr Trichet's appointment had been expected. They expected that the stability of the French franc, the maintenance of low inflation and the gradual reduction of interest rates would remain the objective of the central bank and the government.

Mr Trichet's departure from the head of the Treasury, has prompted a reshuffle at the top of France's financial administration. His post is to be taken by Mr Christian Noyer, the director of Mr Alphandéry's private office.

Mr Noyer, 42, has a similar background to Mr Trichet, who is 50. Both are graduates of the elite Ecole Nationale d'Administration, the training ground for many top government officials and both have spent most of their careers in the financial administration. Mr Trichet also served as the head of the private office of Mr Balladur, the current prime minister, when he was economy minister in 1986.

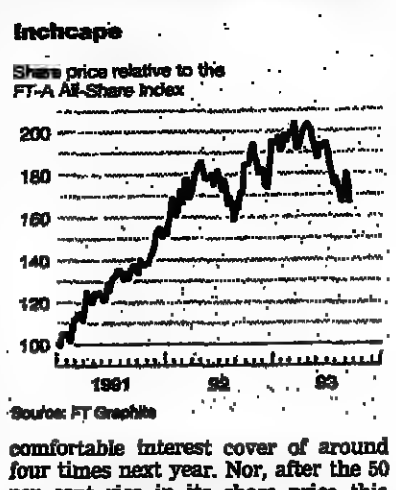
Mr Noyer will be replaced in the private office of Mr Alphandéry by Mr Patrice Vial. Mr Vial, previously chief forecaster in the economics ministry, is director general of Banque Pallas-Stern, the French merchant bank.

Profile, Page 3

THE LEX COLUMN

Inchcape's slow puncture

FT-SE Index: 3024.8 (-12.2)



The market grew so excited about Inchcape's overseas earnings after sterling's devaluation it blinded itself to the countervailing margin squeeze that stemmed from the rising yen. By virtue of its big Toyota distributorship, Inchcape resembles a proxy Japanese company. Yesterday's 5 per cent fall in Inchcape's shares prompted by disappointing interim results was the penalty for such oversight.

Inchcape did well to offset the margin pain by driving for extra volume, helping Toyota increase its UK car sales by 43 per cent. Moreover, the margin pressure should ease once higher car prices are absorbed by the UK market and Toyota steps up its manufacturing output from Derby. Nevertheless, the strong yen will continue to depress Inchcape's second half. Throw in the sharp drop in demand from mainland Europe and recent Chinese austerity measures, and Inchcape's immediate prospects grow still duller. The company's recent acquisitions, which contributed just £400,000 of operating profit on sales of £47.3m, add an edge of concern. A variety of setbacks in Japanese brewing, Malaysian consumer goods, and Australian motors provide a few more worries.

That said, Inchcape's long-term appeal as a well-managed means of riding the Chinese economic wave remains undiminished. That alone should limit the fall in the shares. But these results serve as a useful reminder that distributors can face a particularly painful crush when manufacturers' margins are squeezed.

Viacom/Paramount

Viacom International's proposed $8.2bn takeover of Paramount Communications is one of those rare deals which is difficult to fault. The commercial fit is obvious, despite the limited prospect of cost savings. Paramount's film studio will bring production capability which Viacom currently lacks. The combined group will have the clout to compete effectively with Time Warner and to be an attractive partner for telephone companies anxious to muscle in on the multimedia business.

The price of such deals – as Time Warner knows to its cost - is often a weaker balance sheet. In this instance the opposite is the case. Since Paramount has no net debt, the deal will reduce Viacom's gearing, even taking account of the $1bn it is to pay in cash. The merged group should have comfortable interest cover of around four times next year. Nor, after the 50 per cent rise in its share price this year, does Viacom have to worry about the dilutive effect of using its paper to make an acquisition.

The risk was always that it could become involved in a bidding war which would change the arithmetic by forcing it to shell out too much cash. Thanks partly to Paramount's poison pill, the chance of a counterbid looks small. Viacom may thus walk away with Paramount at a reasonable price. The trouble with such good deals is that they engender high expectations from investors. On a cash-flow multiple in the high teens Viacom looks expensive compared with Time Warner despite the latter's debt.

Lloyd's

With rules for the admission of corporate capital now on the table, investment bankers can start to hawk their Lloyd's insurance funds in earnest. But even assuming the rules are approved by disaffected Names next month, committing capital to Lloyd's is an act of faith. There can be no guarantee that corporate members will not be asked to meet the cost of old claims. Litigation could yet ruin the members' agents on which corporate members will depend for advice and access to the best underwriting syndicates.

With insurance rates hardening, the lure of rising profits will doubtless overcome these fears. Yet picking winners among the range of investment vehicles likely to be paraded this autumn will be no easy matter. Underwriting success turns on the choice of syndicates, so the quality of analysis employed by each fund is clearly crucial. The danger is that all the analysis will point in the same direction. Since Lloyd's does not benefit from a price mechanism to allocate new capital, the ability of a corporate Name to elbow its way to the front of the syndicate queue may be just as important.

Listed Lloyd's investment companies will be the easiest route for many investors. The prospect of a 25 per cent return on capital is enticing even if – thanks to Lloyd's three year accounting – return by way of yield will be modest until 1997. Still, that does not justify sending the shares to a premium to net assets without proof the managers can pick the right risks.

Boots

Boots' campaign to persuade the City that its core chemist chain is sound in wind and limb has been pretty successful if the recent share price performance is any guide. Boots The Chemist's margins and high return on capital are considered sustainable because BTC matches Superdrug's prices on a basket of goods. Besides, in other areas such as product ranges, quality, stock control, and standard of staff BTC is ahead by a street. Superdrug, it is alleged, makes so much of price because it has nothing else to say.

In so far as it goes this is quite a good line, yet the risk remains that some of the mud slung by Superdrug may stick. Marks and Spencer countered stagnant sales and fears of uncompetitive pricing with its successful "Outstanding Value" campaign last autumn. BTC could perhaps regain the initiative on value with a similar exercise. A larger threat, however, comes from the food retailers. If a serious price war breaks out among the grocers, they may also cut margins on other goods, such as toiletries. While food retailers only stock limited ranges, any quantum shift in toiletry prices would force BTC to respond. Given its advantages Boots would doubtless emerge a winner from any price war, but the cost to margins could be substantial.

Boots' management is understandably more upbeat. Its vision, though, sees Boots The Chemist as a kind of infernal Sorcerer's Apprentice, throwing off cash at an ever increasing rate. Finding a home for that money will be a challenge for a company which has scarcely covered itself with glory in its attempts to diversify.

Palestinians celebrate

Continued from Page 1

largely supports the peace agreement but remains sceptical about its long-term outcome on Jewish security, a few hundred pro-peace demonstrators draped in the blue and white Israeli flag danced in Jerusalem. About 50 rightwing opponents of the deal, some in sackcloth and ashes, recited prayers of mourning, burnt the Palestinian flag and called for Mr Rabin's head.

Israelis said the atmosphere in Jerusalem was more sombre than after Israel and Egypt signed the Camp David accord.

Historic handshake seals Mideast breakthrough

Continued from Page 1

and during the ceremony. Crash-helmeted police began sealing off the perimeter of the White House just after 7am, completing a tight security net around the White House.

Mr Peres and Mr Abbas, in separate speeches, also emphasised the potentially historic nature of the accord. The document, although only a declaration of understanding to guide further negotiations, represents the first direct negotiations between Israel and the main representatives of the Palestinian people.

Mr Christopher declared: "This Israeli-Palestinian agreement cannot be permitted to fail".

To that end, he pledged that the US "will spare no effort to enable the parties to turn agreements at the table to agreements on the ground". Mr Clinton, however, offered specific thanks to the government of Norway, through whose secret good offices yesterday's deal was hammered out.

Mr Arafat is scheduled to attend a further series of meetings today.

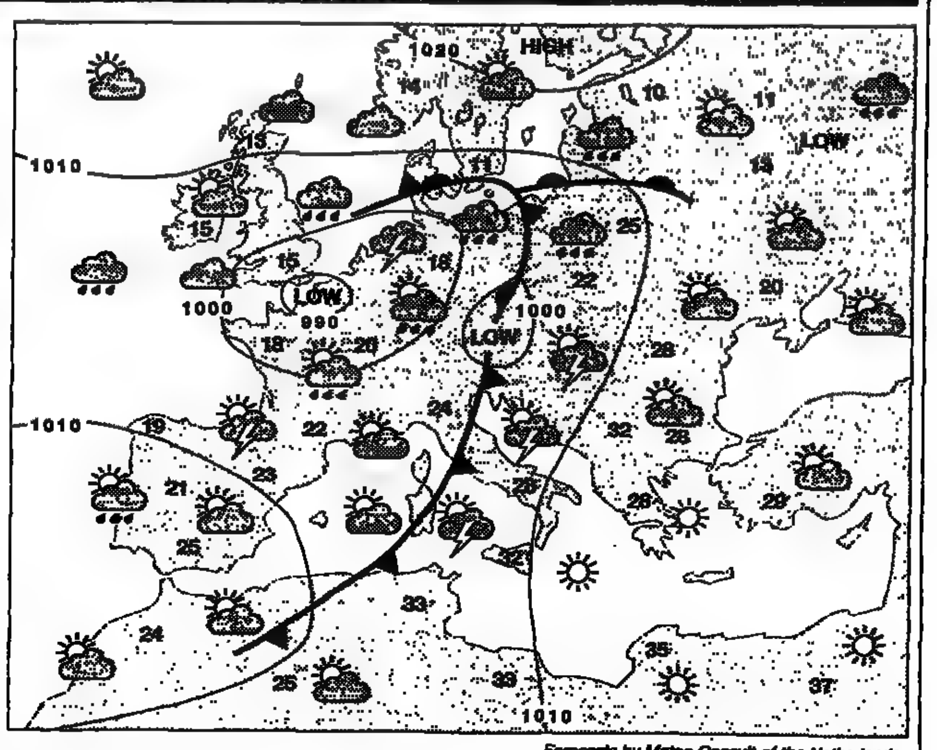
FT WORLD WEATHER

Europe today

A low pressure area will weaken as it moves slowly towards the Low Countries. It will bring unsettled conditions with rain or thundery showers to most of western and central Europe. The eastern UK will have outbreaks of rain, especially in the morning Elsewhere, it will be cloudy with sunny spells only in north-western regions. Over Scandinavia, pressures will remain high and conditions will be settled with only the extreme south having some rain. The rest of Scandinavia will have clouds interspersed with sunny intervals. Greece and Turkey will continue sunny and warm and southern regions of Italy and Spain will have sunny periods. Further north, temperatures will be much lower and thundery showers will occur.

Five-day forecast

Pressure will remain low over western Europe and as a result it will continue unsettled and cool in most of the continent. It will be mostly cloudy with showers or outbreaks of rain. Only in Scandinavia, where an area of high pressure will persist, will there be drier conditions with some sunny spells. The southern regions of Europe will have some sunny periods, but with frequent thunder showers.



Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius															
			Belfast	cloudy	14	Cardiff	cloudy	18	Frankfurt	cloudy	19	Malta	fair	30	Rio	fair	24
			Belgrade	thund	32	Chicago	shower	23	Geneva	cloudy	18	Manchester	rain	14	Riyadh	sun	42
Abu Dhabi	sun	40	Berlin	rain	19	Cologne	cloudy	18	Gibraltar	sun	25	Manila	fair	31	Rome	thund	28
Accra	fair	29	Bermuda	fair	30	D' Salaam	fair	29	Glasgow	cloudy	15	Melbourne	rain	13	S. Frsco	fair	22
Algiers	fair	28	Bogota	cloudy	20	Dakar	fair	30	Hamburg	rain	18	Mexico City	thund	24	Seoul	rain	26
Amsterdam	cloudy	16	Bombay	fair	31	Dallas	thund	33	Helsinki	fair	10	Miami	fair	31	Singapore	thund	31
Athens	sun	29	Brussels	rain	16	Delhi	shower	28	Hong Kong	thund	29	Milan	thund	26	Stockholm	fair	9
B. Aires	fair	20	Budapest	thund	27	Dubai	fair	38	Honolulu	fair	31	Montreal	fair	28	Strasbourg	cloudy	20
B.ham	rain	14	C.hagen	rain	12	Dublin	cloudy	14	Istanbul	sun	27	Moscow	cloudy	11	Sydney	fair	18
Bangkok	shower	32	Cairo	sun	38	Dubrovnik	fair	27	Jersey	shower	15	Munich	shower	19	Tangier	fair	23
Barcelona	fair	23	Cape Town	fair	19	Edinburgh	shower	13	Karachi	fair	32	Nairobi	fair	26	Tel Aviv	sun	34
Beijing	fair	28	Caracas	shower	28	Faro	fair	23	Kuwait	sun	42	Naples	fair	29	Tokyo	rain	26
									L. Angeles	sun	28	Nassau	fair	32	Toronto	rain	19
									Las Palmas	fair	26	New York	fair	30	Tunis	sun	33
									Lima	cloudy	20	Nice	fair	24	Vancouver	fair	18
									Lisbon	fair	22	Nicosia	sun	35	Venice	thund	23
									London	rain	16	Oslo	cloudy	13	Vienna	thund	25
									Lux.bourg	shower	16	Paris	shower	17	Warsaw	shower	21
									Lyon	cloudy	22	Perth	fair	25	Washington	sun	31
									Madeira	shower	24	Prague	shower	20	Wellington	shower	13
									Madrid	fair	20	Rangoon	shower	30	Winnipeg	rain	14
									Majorca	fair	27	Reykjavik	fair	12	Zurich	shower	17

INSIDE

Chemical Waste plans restructuring

Chemical Waste Management, the US handler of hazardous waste, is expected to announce a restructuring aimed at cutting costs and writing down the values of its underperforming toxic waste incinerators. Page 22

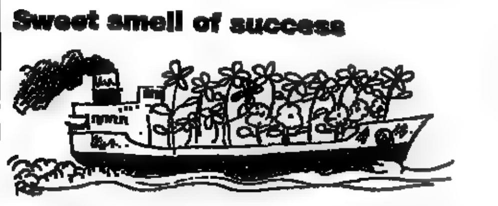
HK newspaper shares fall

Shares in South China Morning Post, the Hong Kong newspaper, fell 9 per cent yesterday. The drop followed the announcement that its main new shareholder – Mr Robert Kuok – would not be launching an outright takeover bid for the company. Page 23

Amcor's A$415m paper purchase

Amcor, the Australian packaging and paper manufacturer, is buying the paper manufacturing and distribution operations of North Broken Hill Peko, the resources group, for A$415m (US$273m). Amcor said the expansion of this business should help it to cut costs and become more competitive. Page 23

Sweet smell of success



Colombia is second only to Holland in flower exports, which in 1992 earned the country $320m. Colombian companies produce about 40 different types of flowers and expensively heated greenhouses are not necessary – flowers can be produced all through the year under cheap plastic tenting. Page 28

Metallbank breaks the mould

The Frankfurt-based Metallbank, with 180 staff and a DM1.1bn ($670m) balance sheet, has become something of a mould-breaker in the German financial markets. The bank, which is run by a former journalist, organised the first German issue of so-called "stripped" bonds and in January it acted as main placing agent for a warrant issue on 30-year French government bonds. Page 20

Dalgety nudges profits up

Dalgety, the UK food and agriculture group, nudged pre-tax profits up to £112.2m ($172m) for the year after making an exceptional provision of £9m to cover claims associated with the sale of an insurance business. A strong performance from the agricultural supplies operation and food distribution offset a disappointing result from food ingredients. Page 25

Boots plans 240 new shops

Boots the Chemists yesterday gave a robust defence of its UK growth prospects, saying it planned to open 240 new high street chemists stores by 1997. Page 25

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				Rises			
Berliner Bank	410	+	10	Axa	1542	+	21
BHF Bank	477.5	+	7.5	BIC	1370	+	40
Henkel Prf	584	+	9	Bancaire Cie	526	+	18
Kali & Salz	135	+	5	CGIP	1234	+	59
Porsche	640	+	10	Falls			
Falls				Accor	606	–	10
Allianz Ind	542	–	8	Ecco	528	–	20
NEW YORK ($)				**TOKYO (Yen)**			
Rises				Rises			
Chrysler	45¼	+	¼	Akebono Brake	814	+	32
Ford	54⅛	+	⅛	M'bishi Material	500	+	21
General Motors	47½	+	⅝	Nippon Steel	347	+	14
Paramount	64⅝	+	¾	Nitto Boseki	439	+	17
Falls				Toky Rope	780	+	30
Pfizer	60¼	–	½	Falls			
Schering-Plough	60½	–	⅝	Gakken	1000	–	50

New York prices at 12.30pm.

LONDON (Pence)							
Rises				Whitbread B	1325	+	125
Babcock Int	33¾	+	4	Falls			
Bdt Fittings	83	+	18	Argyll	307	–	10
Chiltern Radio	88	+	8	FII Group	413	–	15
Cussins Prop	112	+	9	Ferranti	6½	–	3¼
Forth Ports	357	+	23	Glaxo	623	–	17
Haywood Wlms	338	+	13	Gowrings	83	–	3
Kwik-Fit	169	+	8	Herring Baker	60	–	4
Laser-Scan	43	+	8	Inchcape	536	–	27
Linest	175	+	11	Invesco	184	–	14
Molynx	37½	+	2½	Sainsbury (J)	485	–	16
P & P	75	+	4½	SmKl Beecham A	404	–	13
Rolfe & Nolan	245	+	10				

Foster's moves back into the black

By Nikki Tait in Sydney

FOSTER'S Brewing, the Australian brewing group with substantial operations in the UK and Canada, yesterday returned to the black with an A$310m (US$201m) profit after tax and abnormal items for the year ended June.

The figure compares with a A$950.8m loss in the previous year, a result that was largely due to asset write-offs and other one-off charges.

At the operating profit level, before both tax and abnormal items, Foster's reported a profit of A$279.5m for the year just ended, up by 5.7 per cent on last time's A$264.4m.

Nevertheless, Foster's – which saw a big management shake-up earlier this year and in which Broken Hill Proprietary acquired a sizeable minority stake last year – said that it was pleased with the results "in the light of subdued economic conditions and continuing declines in beer industry volumes in Australia, the UK and Canada".

Profit from the core brewing operations actually fell over the year, by about A$28m to A$527m. Carlton and United Breweries posted an 11 per cent increase in operating earnings at A$211m, with gains in both volume and market share.

However, the Courage interests in the UK saw operating earnings fall from A$244m to A$208 – although the fall was largely explained by a resumption of contributions to the Courage Pension Funds, absorbing A$35m. Inntrepreneur Estates was described as "trading satisfactorily" with reduced losses.

Meanwhile, the profit contribution from Canada's Molson Breweries declined from A$120m to A$107m – although Foster's blamed much of the shortfall on the one-time cost of retaliatory duties on products exported to the US and a reduced contribution in the final three months following the sale of a 10 per cent interest in Molson to Philip Morris's Miller Brewing division.

Interest expense was significantly reduced to A$206m, compared with A$249.7m last time, due to the equity raising last year and a spate of non-core asset sales. These produced cash inflows of A$648m, ahead of budget, and the disposal programme would continue.

The bottom-line profits figure was also aided by a A$46m surplus on abnormal items, stemming mainly from the profit on the sale of the Molson shares.

Martin Dickson reports on the biggest US media takeover bid since Time Warner

Wall St talks of rival bid for Paramount

VIACOM International, which made an $8.2bn agreed bid on Sunday for Paramount Communications, yesterday brushed aside speculation that the deal might flush out a rival bid for Paramount from companies associated with Mr John Malone, one of the most powerful figures in the US cable television industry.

Mr Sumner Redstone, Viacom chairman, said: "You may be anticipating a war that doesn't exist."

Viacom, a fast-growing cable television company best known for its MTV pop music video channel, agreed to pay $69.14 a share in cash and stock for each share in Paramount, the film production and publishing company, based on Friday night's stock market closing quotes.

The offer consists of $9.10 in cash, 0.1 of a share of class A Viacom voting stock and 0.9 of a share of class B non-voting stock.

Viacom's A shares fell $1¼ to $64¾ in morning trading yesterday and its B shares were down $2¾ at $56¾, reducing the offer to $66.53 dollars a share and the value of the bid to $7.9bn. Paramount rose $3¾ to $64⅝.

There has been speculation on Wall Street that the deal could prompt a rival bid from Mr Malone, who heads both Tele-Communications Inc (TCI), the largest US cable TV service company, and Liberty Media, which has a large interest in QVC Network, the home shopping cable channel.

QVC is headed by Mr Barry Diller, a highly regarded film industry figure, who has ambitious expansion plans.

Mr Martin Davis, chairman of Paramount, said he had not received, and did not anticipate, any offers from QVC. Mr Redstone said he doubted Mr Malone would consider going to war. "I respect him but I do not fear him," he said.

Both men praised their deal as a "marriage made in heaven". Mr Redstone said that "a few dollars [from a rival bid] could never match the potential rewards in the future of this combination".

He also praised Mr Robert Greenhill, president of investment banking group Smith Barney Shearson, who advised Viacom and played an important role in bringing the two sides together. Paramount was advised by Lazard Freres.

The deal is a coup for Mr Greenhill, who after being pushed out earlier this year as president of investment bank Morgan Stanley, joined Smith Barney Shearson with a mandate to build up its deal-making business.

Lex, Page 18

Viacom seeks another gem for its crown jewels

When fire swept through a Boston hotel in 1979 Mr Sumner Redstone climbed out of his third-floor room, hung by his fingertips to a window ledge until he was rescued, and then defied hospital expectations that he would die from severe burns.

Mr Redstone, the 70-year-old chairman of Viacom International, is a man of great tenacity, which he demonstrated afresh on Sunday when his cable television company launched an $8.2bn agreed stock and cash takeover bid for Paramount Communications, best known for its Paramount Pictures film production company.

The announcement was the culmination of years of on-off merger talks between the two businesses, which had previously broken down over questions of boardroom control.

If it goes ahead, the deal will be the biggest takeover in the US media industry since the $11.6bn merger between Time and Warner Communications in 1989, and marks a new stage in the consolidation of the sector into giant businesses with interests in a diversity of entertainment formats.

Viacom is best known for its cable television networks – which Mr Redstone refers to as its crown jewels – which include the rapidly growing pop music channel MTV and Nickelodeon, which produces zany programmes for children.

The networks are in the throes of an ambitious international expansion to position Viacom as chief purveyor of entertainment to the world's youth. Nickelodeon, for example, was launched in the UK at the start of this month, where it is now being offered to subscribers to British Sky Broadcasting, along with MTV.

Viacom also owns and operates cable television systems serving some 1.1m US subscribers, five network affiliated TV stations and 14 radio stations.

Paramount's assets include a motion picture production business, with current hits including the thriller The Firm, and a library of 890 films, including The Godfather, Indiana Jones and Beverly Hills Cop; and a TV programming business which includes the comedy Cheers and the science fiction series Star Trek.

Paramount is also a leading book publisher: its imprints include Simon & Schuster and Prentice Hall. It runs several theme parks and also owns Madison Square Garden, the sports and entertainment arena in central Manhattan.

Viacom, which was acquired by Mr Redstone in 1987, is the smaller of the two companies, with 1992 revenues of $1.9bn, but its rapid growth has won it a higher stock market rating than Paramount, which had revenues of $4.3bn in 1992 but has suffered from flat earnings for the past few years.

Wall Street analysts yesterday welcomed the deal as reasonably priced and offering a compelling logic: Paramount will bring to Viacom the creative entertainment production facilities which it lacks (MTV's programming consists largely of pop videos made by record manufacturers), while Viacom's cable network will greatly increase Paramount's distribution muscle.

The combined group will have a relatively modest debt burden, compared with many of its rivals, and marriage will better position both companies to compete with two trends transforming the media industry. One is globalisation, as a handful of international companies, such as Mr Rupert Murdoch's News Corporation, seek to dominate the world's airwaves, cable networks and publishing outlets.

The other is the rapid convergence between the media, computer, electronics and telecommunications industries in the US – often dubbed "communicopia" – which is expected eventually to create a world of inter-active, multi-media entertainment.

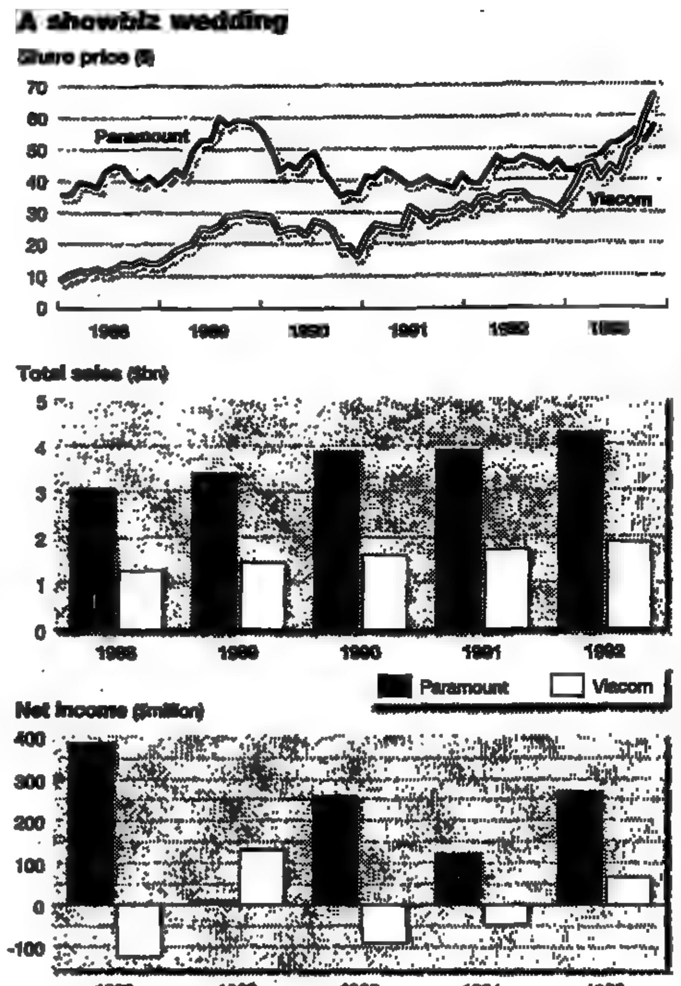
These forces lie behind a string of media takeovers in the past few years, including the Time/Warner marriage and a deal earlier this year under which US West, a large local telephone company, will invest $2.5bn in Time Warner's cable and film entertainment operations. Sony, the Japanese electronics group, acquired Hollywood's Columbia studios in 1989, while Japanese rival Matsushita Electric bought MCA, parent of Universal Pictures.

If the Paramount takeover goes ahead, it will leave Walt Disney as the only large Hollywood studio independent of much larger media empires or conglomerates.

However, there remains a possibility that the Viacom bid would be derailed, with a rival media group launching a hostile counter-offer. Ironically, that is precisely what Mr Martin Davis, chairman of Paramount, did in 1989 when he bid unsuccessfully against Warner for Time.

With this in mind, Sunday's agreement puts in place a poison pill to deter newcomers. Viacom has the right to acquire 20 per cent of Paramount's stock at $69.14 a share – the price of its bid – and if the deal is terminated Paramount will pay Viacom $100m.

A showbiz wedding



Source: Datastream

Speculation about rival bids centres on Mr John Malone, who heads both Tele-Communications Inc, the largest cable service company in the US, and Liberty Media, which owns a stake in QVC Networks.

QVC is a home shopping cable television network but its new chairman, Mr Barry Diller, who once ran the Paramount and Fox studios, is thought to be mulling plans to turn it into a network television channel.

One possible explanation for the timing of Sunday's bid agreement, coming after such a long courtship, is fear that Mr Malone may have been contemplating a bid for Paramount.

Whatever the catalyst, the deal will leave Mr Redstone firmly in the driving seat. He will be chairman of the merged company – Mr Davis will become chief executive – and will also hold 69.8 per cent of the combined company's voting stock and 38.5 per cent of its common stock.

For a man who began his career as owner of a chain of drive-in movie houses, that shows not just tenacity but great business acumen.

Strong yen takes its toll on Inchcape

By Andrew Bolger in London

SHARES IN Inchcape fell 5 per cent yesterday after currency movements caused the international services and marketing group to report interim results below market expectations.

The UK group's pre-tax profits rose 11.2 per cent to £130.4m ($200m) in the six months to June 30, on sales 29 per cent higher at £3.01bn. However, a currency gain of £16m, caused by sterling's devaluation, was more than outweighed by the strength of the yen.

Inchcape handles substantial export business out of Japan, including distributing Toyota cars, and the appreciation of the Japanese currency reduced profit margins.

The motors business was, nevertheless, Inchcape's strongest area, raising operating profits 32 per cent to £102m.

Services, which include insurance, shipping and testing, raised operating profits 22 per cent to £27.9m, in spite of the tough Japanese market. Profits from marketing fell 19 per cent to £28.1m. Mr Charles Mackay, chief executive, blamed the Japanese recession and restraints on Malaysian consumer spending.

Sir David Plastow, chairman, said: "Although there are signs of recovery in the UK and US, and Asian economies outside Japan remain strong, this has been offset by continuing recession in Japan and the steep downturn in continental Europe."

The motors figures were boosted by rising production from Toyota GB's new factory in Derbyshire. Toyota's UK sales jumped 43 per cent, giving it more than 3 per cent of the market for the first time.

While the UK had at last recovered, Sir David said all the continental European markets turned decisively downwards. Austerity measures meant car exports to China were unlikely to be as strong in the second half.

Sir David said motors offered a good opportunity at present, which the group was ready to pursue.

Gearing fell from 43 to 40 per cent per cent. Interest payments increased from £3.1m to £15.1m, partly because of investment, and partly because last year's figure was unusually low.

Earnings per share rose 8.9 per cent to 15.9p (from 14.6p). The interim dividend rose 7 per cent to 5.8p (from 5.4p).

Lex, Page 18

Amstrad acquires Danish mobile telephone group

By Paul Taylor in London

AMSTRAD, the consumer electronics company run by Mr Alan Sugar, has jumped into the fast-growing mobile telephone equipment business through the acquisition yesterday of Dancall Radio, the Danish cordless and mobile telecommunications group, for £6.4m ($9.85m).

Dancall, based in Pandrup, has been in payments suspension since August and is one of the last established European stand-alone mobile equipment businesses designing, assembling and marketing its own brand.

Last year the group, which has an extensive GSM (Groupe Speciale Mobile) digital telephones research and development team, had sales of DKr380m ($61.60m) based on cellular and cordless telephones. GSM is the pan-European standard for the next generation of mobile telephone systems, which are just beginning to appear across Europe.

Although relatively unknown in the UK, Dancall has a strong presence in the Nordic markets – among the most sophisticated in Europe – and has sales in some 25 overseas markets including the Middle East and Asia.

Amstrad has been looking for a consumer electronics market to relace its "blockbuster" products of the 1980s, which are now in decline.

In addition, the deal effectively enables Amstrad to leapfrog competitors and buy-in technological and manufacturing expertise.

Mr Sugar has often expressed his interest in expanding Amstrad's telecommunications equipment side, which already includes Betacom, the separate, publicly quoted telephone equipment manufacturer in which Amstrad has a majority stake.

Yesterday the Amstrad chairman said the group would "unveil further strategic plans" when it announced its year-end results next month.

Amstrad is forming a new subsidiary, Dancall Telecom, to manage the Danish operations. Mr Malcolm Miller, Amstrad's sales and marketing director, has been appointed chairman of the subsidiary, which will rehire 200 of the 600 employees who were laid off when Dancall went into payments suspension.

"By acquiring Dancall's GSM research and development group we are well placed amongst a few leaders in GSM technology, as well as for making a quick move into PCN," he said.

Bekaert ahead but sees slowdown in second half

By Andrew Hill in Brussels

BEKAERT, the Belgian producer of steel wire and cord, beat worsening economic conditions in the EC to increase net consolidated profits by 15 per cent in the first half of 1993, to BFr951m ($27.7m) from BFr828m.

However, the group predicted that markets in the EC and North America would weaken still further in the second half of the year. It expects to achieve a full-year profit on current operations similar to the 1992 figure of BFr1.66bn.

Since 1990, when Bekaert's profits collapsed and cash flow halved, the group has undergone drastic restructuring. In the first half, cost savings and efficiency improvements helped the group enhance profits in spite of price reductions.

Turnover fell from BFr28.7bn to BFr27.8bn but the group said it had "substantially increased its competitiveness".

Sales volume rose in the first half by 9.7 per cent, or by 4 per cent if a recent acquisition in Mexico is excluded.

Volume in Europe declined, but only slightly. The volume of wire sold in the first six months dropped by only 1 per cent, for example, compared with the first half of 1992.

The group blamed depressed investment levels and reduced consumption in western Europe for a slump in demand. Like other Belgian companies, the group has also been adversely affected by the comparative strength of the Belgian franc.

Cash flow increased in the first half to BFr2.82bn from BFr2.78bn and capital expenditure rose to nearly BFr2bn from BFr1.54bn.

Renault and Volvo form management board

By John Ridding in Paris

RENAULT and Volvo yesterday announced the formation of a five-member management board which will determine the structure of their merged automotive operations and manage the new company when it is officially launched at the beginning of next year.

The French and Swedish motor vehicle companies said the team was announced just one week after the conclusion of their merger agreement in order to "secure a speedy and efficient transition".

As stated in the terms of the merger agreement, which will create the world's sixth largest automotive group, the management board will comprise two representatives from Renault, two from Volvo and will be chaired by Mr Louis Schweitzer, Renault chairman.

The management board will have overall management responsibility for the running of Renault-Volvo Automotive. There will also be an 18-member supervisory board, headed by Mr Pehr Gyllenhammar, the Volvo chairman. The supervisory board will appoint the management board and will decide on significant financial issues concerning the merged group.

The management representatives from Renault, Mr Patrick Faure and Mr Philippe Gras, are both executive vice-presidents of the French car company. Mr Faure is the head of Renault's worldwide marketing and sales and has been president of Renault Sport since 1986. Mr Gras, the former head of Renault Vehicules Industriel, the trucks and buses operations of the group, is principally involved in product development.

From Volvo, the two members of the management board are Mr Lennart Jeannson and Mr Karl-Earling Trogen. Mr Jeannson is president and chief executive officer of Volvo Car Corporation and executive vice-president of AB Volvo, the group's parent company. Mr Trogen is head of Volvo's truck operations in the US.

Huntsman almost doubles its size

By Paul Abrahams in London and Haig Simonian in Milan

ANOTHER round of the petrochemicals industry's musical chairs came to an end yesterday with some companies leaving the game, and others confirming their intention to reinforce their interests.

Texaco, the US oil company, virtually ended its participation in the chemicals industry. Huntsman group, the Salt Lake City-based company, nearly doubled its size through two separate deals, and vastly extended its European operations.

Consolidated Press Holdings, the Australian group controlled by the media mogul, Mr Kerry Packer, confirmed its continuing interest in the chemicals sector. Elf Atochem of France sold its expandable polystyrene business to Huntsman, but acquired Enichem's low density polyethylene activities.

For Texaco, the sale of almost all its chemicals operations follows a steady decline in profitability for this at best marginal chemicals subsidiary. Texaco Chemical's earnings fell from $268m in 1989 to only $7m in 1991, and last year the business made a loss of $49m on a turnover of $1.4bn.

The Texaco subsidiary has been shedding operations and cutting costs for the past few years, but the group faced a massive capital expenditure bill of about $400m for its massive propylene oxide/MTBE plant at Port Neches, Texas. The new Huntsman-Packer joint venture, Huntsman Corporation, has an option to buy half or all of the plant which is due to come on stream at the end of 1994.

Huntsman group said the acquisition extended the range of products available to the company, including fuel and lubricant additives, textile chemicals, agricultural, solvents and surfactant products.

Elf Atochem's sale of its expandable polystyrene business to Huntsman Chemical Corporation, a subsidiary of Huntsman group, allows it to quit a business in which it was only a marginal competitor. With capacity of only 50,000 tonnes a year, it was in a poor position to take on the likes of Shell (175,000 tonnes a year) or BASF of Germany (195,000 tonnes a year).

Instead, the French company has enlarged its polyethylene activities by acquiring Enichem's low density polyethylene plant. The operation is at the same site – Carling Saint-Avold – as both Elf Atochem's ethylene cracker, which provides raw materials for polyethylene, and its plastic derivatives business.

For EniChem, the chronically loss-making Italian state chemicals group, the sale should further its drive to cut costs and improve earnings.

Ansaldo lifts investment in Hungary

By Nicholas Denton in Budapest

ANSALDO, Italy's largest electrical engineering concern, is to establish two new facilities in Hungary to take its total planned investment in the country to $130m.

The state-owned Italian group, a subsidiary of the IRI holding company, is forming a joint venture with Dunaferr, Hungary's leading steel producer, to make electrical motors at Dunaujvaros, south of Budapest.

Ansaldo is providing equity of Ft1.08bn ($11.6m) to take a 76 per cent stake in the new entity, to be called Temm, while the Hungarian partner will contribute the site and control 24 per cent.

The larger part of the new investment will involve Temm constructing a new plant for Ganz Ansaldo, the Italian group's Hungarian joint venture producing electric motors, generators, transformers and traction stations.

"An electromechanical group must have a base in one of the countries of eastern Europe," said Dr Bruno Musso, Ansaldo chairman, whose rivals have invested heavily in Poland and the Czech Republic.

Ganz Ansaldo's losses including interest payments reached Ft1.3bn ($14m) in 1992 and Ansaldo does not expect its Hungarian operations to break even until 1996.

Unitas turnround cuts losses to FM1.01bn

By Christopher Brown-Humes in Helsinki

UNITAS, Finland's second-largest banking group, yesterday announced reduced losses for the first eight months in what it describes as a "decisive turnround" in its performance.

The group's pre-tax loss amounted to FM1.01bn ($179m), compared with a FM1.31bn deficit in the same period in 1992. Its consolidated income climbed 45 per cent to FM2.68bn and operating profit before credit losses rose fivefold to FM551m.

Unitas, which is the holding company for the Union Bank of Finland, attributed the upturn to lower interest rates, a rising stockmarket and greater efficiency. It noted that its loss in the second four months was FM498m, FM552m less than in the same 1992 period.

However, the improvement was marred by evidence that the rising trend in credit losses and non-performing loans remains unbroken. Credit losses rose to FM1.68bn from FM1.29bn. Non-performing loans at the end of August totalled FM8.62bn, against FM8.57bn at the end of April.

The bank's capital adequacy ratio stood at 11.1 per cent, unchanged from the year end. It is now more confident that it can survive Finland's banking crisis without further state help. It received a FM1.7bn preference capital injection from the government and is likely to use a government guarantee for an issue in the international capital market.

Cement groups join forces

By Christopher Brown-Humes

THREE Nordic groups plan to merge their cement activities to create a new regional force in the building materials sector in the face of the collapse in construction activity.

Sweden's Euroc is buying Partek Cement and Lohja from the Finnish companies Partek and Metra.

In return the two Finnish groups will receive 11.8m new shares in Euroc worth SKr1.2bn ($153m). This gives them a 25 per cent holding in Euroc, equal to the stake held by Skanska, Sweden's leading construction and property group.

Mr Finn Johnsson, Euroc president, said that there would be substantial rationalisation as a result of the merger, including the possible closures of a cement plant in Sweden and another in Finland.

Mr Johnsson said the target was to cut costs by SKr200m a year from 1996.

Metallbank breaks German mould

David Waller on a Frankfurt-based investment banking boutique

IN GERMANY, a country where hopping from one profession to another is frowned upon, a bank run by a former journalist still counts as highly unusual.

But Mr Michael Gotthelf's background as financial editor of the Frankfurter Allgemeine Zeitung is not the only unusual aspect of the Metallbank, where Gotthelf is joint managing director.

The Frankfurt-based Metallbank, with 180 staff and a DM1.1bn ($688m) balance sheet, has become something of a mould-breaker in the German financial markets.

It organised the first German issue of so-called "stripped" bonds, for the Kreditanstalt für Wiederaufbau in May of last year, whereby the interest payments on the DM300m issue were packaged into a separate issue. The separate tradeability of the coupon was new for Germany and Metallbank acted as lead manager and sole placing agent.

More recently, in January this year, the bank co-ordinated another first for Germany, acting as main placing agent for a warrant issue on 30-year French government bonds, working in conjunction with Caisse des Depôts.

It worked with Citibank's Spanish operations to develop a similar warrants issue on peseta bonds. Both issues were strong performers amid the currency market turbulence of the past year.

It is also working with the Deutsche Bank to set up a service to allow German companies to take out hedge and swap agreements on oil and fuel prices.

As Mr Gotthelf admits, these products are commonplace in the US market – but they are new for Germany.

The bank was founded in 1906 and developed into a savings and loans institution for the staff of Metallgesellschaft, the large metals, mining and industrial group based in the heart of Frankfurt.

The bank changed its complexion with the arrival of Mr Heinz Schimmelbusch at the helm of the parent company in the late eighties. He helped turn the bank into what in the Anglo-American world would be described an investment banking boutique.

It is still owned by Metallgesellschaft and still provides savings banks services for the company's employees – but two-thirds of the bank's profits come from investment banking activities, an area which employs just a third of the bank's staff.

Business activities include trading, fund management and mergers and acquisitions advice – often to the parent company, which has until recently been one of Germany's most vigorous buyers and sellers of businesses.

"We are backed by the capital of our mother company," says Gotthelf, "which gives us a power in terms of trading muscle and information flow which no other bank of this size can match. This has allowed us to duplicate US inventions for the German market sometimes years before the big German banks catch on."

Metallbank has brought a number of innovations to the German financial markets. It is backed by its parent company, Metallgesellschaft, and, says its chairman, Michael Gotthelf, this gives it the muscle to duplicate US inventions years before the big banks catch on.

However, the association with the mother company is not uniformly positive. Metallgesellschaft's profits have tumbled over the past two years amid deep recession in the metals and engineering industries.

In June this year, the company reported half-year profits down 39 per cent to DM98.3m. Its deal-making ambitions have been put into reverse: Schimmelbusch is busily trying to raise DM1bn from corporate disposals.

Mr Gotthelf will not comment on this but the difficulties of the parent seem to be one factor behind an (undisclosed) drop in the bank's profits last year.

Moreover, the bank seems unlikely to escape the staff cuts planned for the Metallgesellschaft group as a whole: the group's staff is to be lopped by 10 per cent over the next two years and the bank's headcount is set to drop by the same proportion.

But, said Mr Lothar Mark, joint managing director, there will be no redundancies – retirees in the non-investment banking part of the business will simply not be replaced.

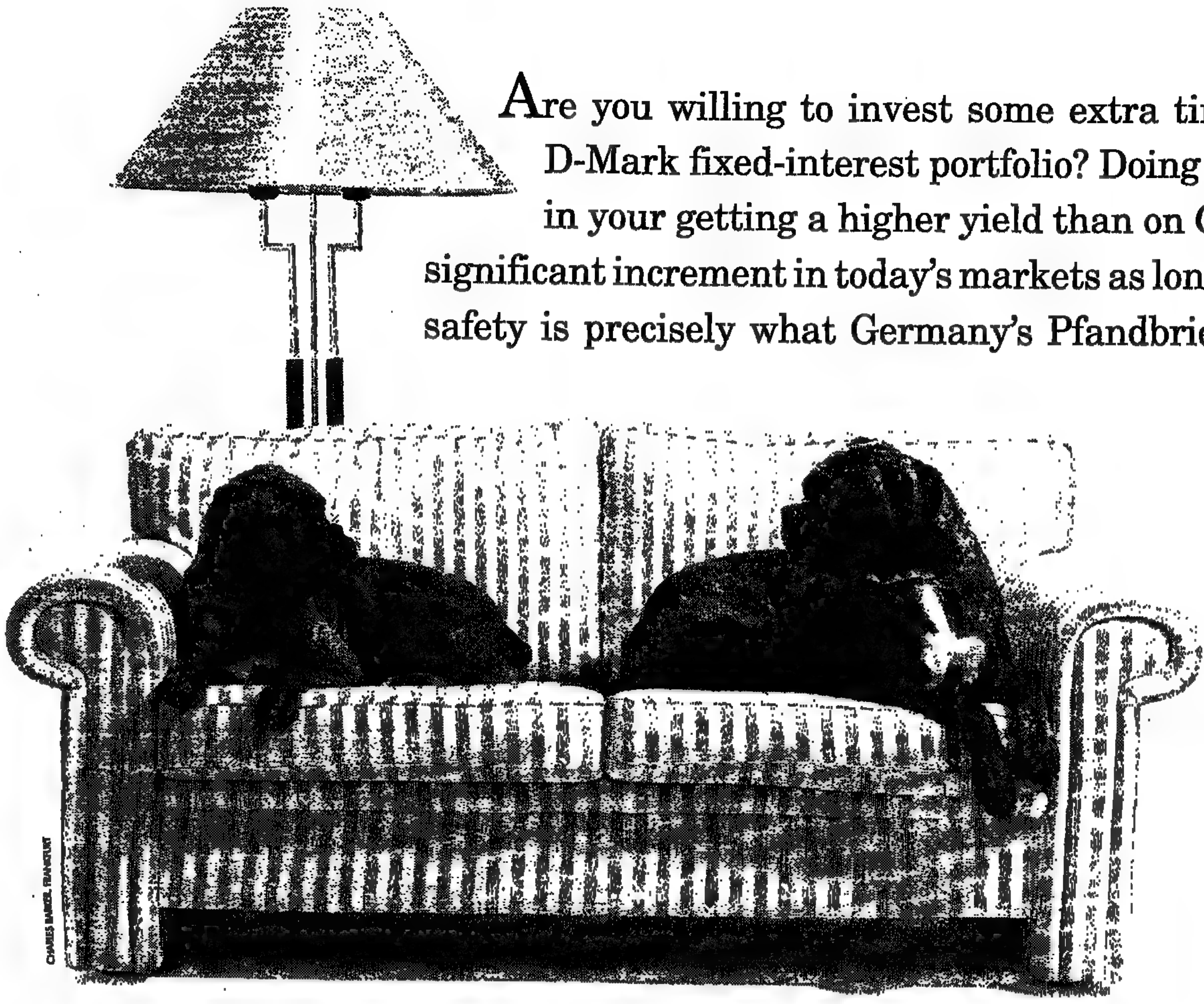
He added that profits are likely to rise by 30 per cent in the year to the end of September, reflecting the bank's new issue business and vigorous trading activity.

"We will be able to pay a handsome dividend to the mother company," he boasted. Few of the chiefs of Metallgesellschaft's other subsidiaries are able to say the same.

THE GERMAN PFANDBRIEF

VERBRIEFTE SICHERHEIT

SOLID VALUE FROM THE GROUND UP



Are you willing to invest some extra time to gain a higher yield on your D-Mark fixed-interest portfolio? Doing your homework could easily result in your getting a higher yield than on German Treasury bonds (Bunds), a significant increment in today's markets as long as safety is not compromised. And safety is precisely what Germany's Pfandbrief system provides. Pfandbriefe in Germany are bonds issued to refinance mortgages or public projects, an idea that goes back almost 225 years to the time of Friedrich der Grosse. These bonds are subject to Germany's particularly stringent Mortgage Bank Act.

For example, Pfandbriefe can only be issued by specially authorized banks which are fully liable for each issue. The bonds are secured by mortgages or by public-sector loans. Pfandbriefe must be backed by separate funds with at least identical yields and maturities. And all Pfandbriefe are monitored by a trustee designated by the state.

Thanks to these and other requirements, no investor has ever failed to receive 100 % repayment on a German Pfandbrief held to maturity. Good reasons why Pfandbriefe, at DM 832 billion at year-end 1992, amounted to about 40 % of the entire fixed-interest securities market in Germany. Of this total, the nation's 26 private mortgage banks accounted for over 60 %. More bite in your D-Mark portfolio is what you get with German Pfandbriefe.

German Pfandbriefe are officially quoted on German stock exchanges. Issuers actively maintain a well-functioning secondary market.

MAYBE IT'S TIME TO PUT MORE BITE INTO YOUR D-MARK PORTFOLIO.

GERMANY'S MORTGAGE BANKS

DEPFA-BANK, WIESBADEN
BAYERISCHE VEREINSBANK AG, MÜNCHEN
HYPO-BANK, MÜNCHEN
DEUTSCHE HYPOTHEKENBANK FRANKFURT AG, FRANKFURT
RHEINHYP, FRANKFURT
DEUTSCHE GENOSSENSCHAFTS-HYPOTHEKENBANK AG, HAMBURG
FRANKFURTER HYPOTHEKENBANK AG, FRANKFURT
DEUTSCHE CENTRALBODENKREDIT-AG, KÖLN
BAYERISCHE HANDELSBANK AG, MÜNCHEN

WESTHYP, DORTMUND
BERLIN HYP, BERLIN
SÜDDEUTSCHE BODENCREDITBANK AG, MÜNCHEN
MÜNCHENER HYPOTHEKENBANK EG, MÜNCHEN
HAMBURGHYP, HAMBURG
WÜRTTEMBERGER HYPO, STUTTGART
NÜRNBERGHYP, NÜRNBERG
HYPOTHEKENBANK IN ESSEN AG, ESSEN
DEUTSCHE HYPOTHEKENBANK (ACT.-GES.), HANNOVER

BRAUNSCHWEIG-HANNOVERSCHE HYPOTHEKENBANK AG, HANNOVER
ALLGEMEINE HYPOTHEKEN BANK AG, FRANKFURT
RHEINBODEN HYPOTHEKENBANK AG, KÖLN
LÜBECKER HYPOTHEKENBANK AG, LÜBECK
NORDHYPO BANK, HAMBURG
BFG-HYPOTHEKENBANK AG, FRANKFURT
WL-BANK, MÜNSTER
HYPOTHEKENBANK IN BERLIN AG, BERLIN

Merger improves Blockbuster's position in films

By Richard Waters in New York

BLOCKBUSTER Entertainment, the largest US home video rental company, strengthened its interests in Hollywood as the two production companies in which it owned an interest agreed a merger.

The deal brings together Spelling Entertainment, of which Blockbuster currently owns 63.5 per cent, and Republic Entertainment, of which it owns 37 per cent. Blockbuster is providing $100m to help finance Spelling's takeover of Republic in a transaction that will leave it with 70.5 per cent of the combined entity.

Blockbuster, which owns the Cityvision video rental company in the UK, said the reshuffle did not signal any plan to expand into becoming a significant film producer.

"We have no intention of changing the risk profile of the group. We are not interested in making big feature-length films," it said.

Blockbuster added that the move to combine the businesses would strengthen its interest in film production and give it greater control over the film and programme libraries of the two companies. "We are the biggest single purchaser of Hollywood's products in the world. This integrates us and gets us closer to the suppliers of those products," it said.

The deal brings together the former programme library of NBC, which was acquired by Spelling, with that of ABC, owned by Republic.

The programmes and films in the Republic library include many old John Wayne titles and the Bonanza television series.

Under the terms of the agreement, Spelling will pay $13 in cash for each Republic share. Options and warrants to buy Republic shares will be acquired at the rate of 1.65 Spelling share for each Republic share. To finance the deal, Blockbuster has agreed to buy 13.4m new Spelling shares for $100m either in cash or Blockbuster shares.

Mr Russell Goldsmith, chairman and chief executive of Republic, is to become president and chief executive of Spelling.

Blockbuster bought 48 per cent of Spelling from American Financial in March, and at the same time took its holding above 50 per cent with smaller market purchases.

IBM sets up panel to focus on performance

INTERNATIONAL Business Machines is to make significant changes in its corporate structure, effective immediately, Reuter reports from New York.

Mr Lou Gerstner, chairman and chief executive, said in an internal memorandum, released by the company, that he was creating a corporate executive committee which would focus on corporate results, making IBM business units work in a responsive way to serve customers and minimise bureaucracy.

"I have reached the firm conclusion that decentralisation versus centralisation is not our most important organisational dilemma," Mr Gerstner wrote.

The new committee will consist of Mr Jim Cannavino, Mr Gerry Czarnecki, Ms Ellen Hancock, Mr Bob LaBant, Mr Ned Lautenbach, Mr Bernard Puckett, Mr Paul Rizzo, Mr John Thompson, Mr Pat Toole, and Mr Jerry York.

Each will be part of the IBM corporate office and their principal focus will be on overall corporate results, not on individual unit performance.

Mr Gerstner added that IBM would rename some units to make the names understandable and transparent to customers.

Mellon sues Primerica over 'broken promises'

By Richard Waters

MELLON Bank is suing Mr Sandy Weill's Primerica financial services group over what it claims are broken promises concerning its administration of some $50bn of former Shearson mutual fund assets.

Mellon took on the administration of Shearson's mutual funds in September 1992 when it bought The Boston Company, a trust and administration company, from American Express, then the parent of Shearson Lehman.

The Shearson administration business accounted for around $100m of Boston's annual revenues, Mellon said.

In its legal actions, filed in the district court for Western Pennsylvania, the Pittsburgh-based bank claims that the merger of Shearson with Primerica's Smith Barney has threatened its role as administrator to the Shearson mutual funds.

Mellon also said that the purchase of Boston had contained a provision for it to continue to administer the funds, and that Primerica had later expressly endorsed this arrangement.

Also named in the action are Smith Barney, Lehman Brothers and American Express.

Mellon said that, among other things, Smith Barney "has created new mutual funds that are virtual clones of existing Shearson funds serviced by The Boston Company; has initiated mergers of Shearson funds into Smith Barney funds that are not serviced by The Boston Company; and has otherwise attempted or threatened to attempt to siphon off assets from the Shearson funds".

Mellon said that it had not quantified the size of its claim, and that the legal actions were in part intended to prevent Smith Barney Shearson from taking further steps which would damage its interests.

In response, Smith Barney said: "We are surprised by the lawsuit. It is factually incorrect. We believe it is without merit."

Write-downs expected at Chemical Waste

By Laurie Morse in Chicago

CHEMICAL Waste Management, the Illinois-based handler of hazardous waste, is expected this month to announce a restructuring aimed at cutting costs and writing down the values of its underperforming toxic waste incinerators.

WMX Technologies (formerly Waste Management), which has a 77 per cent stake in Chemical Waste, earlier this year warned that declines in US government-directed environmental clean-ups were trimming income at the unit and would lead to lower-than-expected earnings in the second quarter.

In June, Chemical Waste reported second-quarter profits down to $22.6m, or 11 cents a share, from $52.4m, or 26 cents, a year earlier.

Analysts say the write-downs may total $200m, and that restructuring and job losses could trim another $50m annually in operating expenses. In July, Chemical Waste said it was studying its disposal facilities, and the company this week declined further comment, other than to confirm the review was continuing.

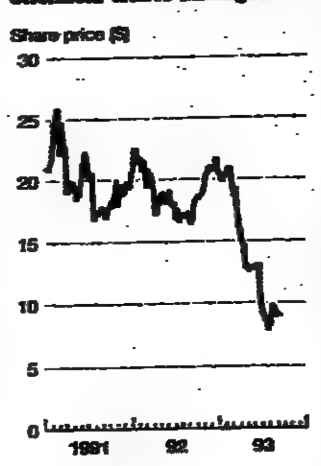
Analysts expect the write-downs to be recorded as charges to third-quarter earnings, which will be reported in October.

Chemical Waste was a darling of Wall Street as recently as 1991, but is suffering from shrinking demand for its services. The company's share price has fallen from a high of around $26 in 1991 to a recent low of $7⅞. In New York early yesterday, the stock was trading at $8½.

In June the company said its earnings had plummeted to $43.8m in the first half, from $82.3m in the same 1992 period, and that during the period its core businesses had barely broken even. The results dragged WMX's earnings down by about 7 per cent. In August, Chemical Waste's directors voted to suspend Chemical Waste's 20-cent per share dividend, citing "uncertain market conditions".

The reversal follows a fundamental change in corporate thinking about waste generation. US companies, conscious of high off-site disposal costs and environmental and legal liabilities, are sharply reducing their outputs of hazardous waste – for example, through recycling and conservation.

Chemical Waste Management



Source: FT Graphite

At the same time, clean-ups mandated by the US government's Superfund programme, designed to restore contaminated land, are far fewer than projected, and the Environmental Protection Agency, some sources say, has been slow in issuing expected new definitions of hazardous waste streams.

The giant incinerators built to burn toxic wastes have been hardest hit by the trends. Chemical Waste said last week it had abandoned plans, begun in 1987, to build an incinerator in Kettleman Hills, California, where it already operates a hazardous waste landfill.

The company also said that existing incinerator capacity was adequate to meet the disposal needs of the western US. The US chemical company DuPont last month halted plans to build an $100m incinerator, and other waste handling companies have reported declining volumes.

In California, which has a law that encourages companies to reduce incinerable wastes, volumes fell 30 per cent between 1987 and 1990, and continue to decline at a rate of about 10 per cent per year, Chemical Waste says. Across the US, some of the biggest hazardous waste producers have reported waste reductions of 50 per cent or more.

As a result, incinerator operators have had to slash prices to attract volume, and margins for all companies have fallen. Chemical's operating margins dropped to 4 per cent in the second quarter, from 25.3 per cent a year ago.

Chemical Waste's core businesses are landfilling and incinerating hazardous wastes, which are hauled to its own operations from corporate and municipal sites. It also engages in "special" clean-up projects, and through its partially-owned subsidiary, Rust International, performs environmental consulting.

Mr Vishnu Swarup, senior pollution control analyst for Prudential Securities, believes Chemical Waste's asset write-downs will focus heavily on its three incinerators. Its incinerator at Port Arthur, Texas, underperformed in the first half, and its plant on the south side of Chicago remains out of commission after an explosion two years ago.

In addition to the incinerators, Chemical Waste operates seven hazardous waste landfills around the US and employs about 5,000 in North America.

Mr James McDonald, securities analyst with the Chicago Corporation, says demand for Chemical's services is likely to remain weak until the government's Superfund programme is reauthorised (legislation is expected in 1994) and hazardous waste standards are more clearly defined.

Trizec prepares for asset revaluations

By Bernard Simon in Toronto

TRIZEC, North America's biggest quoted property developer, is preparing to write down the value of some assets in tandem with a financial restructuring being negotiated with debt and equity holders.

The Calgary-based company said that it was in the throes of a "comprehensive revaluation" of assets and liabilities, which would be reflected in financial statements for its fiscal year to October 31.

The revisions will include adjustments to the carrying value of the Bay-Adelaide Centre, a half-completed, 57-storey project in Toronto on which work has been halted.

The continuing North American property slump widened Trizec's losses to C$17.7m (US$13.5m), or 10.9 cents a share, in the third quarter to July 31, from C$1.6m, or 0.5 cents, a year earlier. Losses for the first nine months were C$12.7m, or 14.3 cents, compared with a gain of C$10.4m, or 6.5 cents.

Nine-month rental revenues rose by 3.5 per cent, but the improvement was due to the contribution of new properties and favourable exchange-rate movements.

The company said that net rents from its office properties had been cut by the more generous inducements needed to maintain high occupancy rates.

It described the shopping-mall market as "difficult", with downward pressure on rents and increased demand for higher inducements from prospective new tenants.

Trizec said it aimed to hold a vote among holders of C$1.1bn of senior debentures on its restructuring proposals before October 20.

NEWS DIGEST

Curragh chief seeks equity from Europe

MR Clifford Frame, chairman of Curragh, a big Canadian lead/zinc producer, is making another attempt to raise new equity in Europe, writes Robert Gibbens in Montreal.

Curragh, which has been in bankruptcy protection since last April and has closed its mines in the Yukon and British Columbia because of low metal prices, faces a showdown with the Bank of Nova Scotia and its unsecured creditors next Monday.

Mr Frame needs C$50m (US$38m) in new equity, and a C$34m loan guarantee from the Yukon government, to save his restructuring plan.

Last Friday, an Ontario court gave the bank the right to appoint a receiver for two Curragh undeveloped properties. Creditors are owed more than C$200m and the company says it has run out of cash.

Two weeks ago, Korea Zinc and Samsung dropped a plan to buy 50 per cent of Curragh for C$50m.

Falling metal prices were a factor, but the Koreans wanted other big investors to put up C$25m.

Tax deal gives boost to Caterpillar

AFTER-TAX earnings at Caterpillar, the US construction equipment group, will be boosted this year by $300m, or nearly $3 a share, following the settlement of a dispute with the Internal Revenue Service, writes Richard Waters.

Caterpillar said the money would be used to reduce outstanding debt, which currently stands at over $4bn, including the retirement of some relatively high-cost long-term debt. The costs associated with retiring long-term debt would result in a pre-tax charge of $50m, Caterpillar said.

The tax settlement relates to export sales made by the company in the period 1979-87. Last year, Caterpillar recorded a loss of just over $2 a share before the effect of accounting changes. In New York, Caterpillar's share price rose $1 to $80.60 in early trading.

Cashflow slides 12% at Constantia

CONSTANTIA, the diversified Austrian packaging and board group, said that its cashflow slid 12 per cent to Sch440m ($39m) in the first half on sales up 1.7 per cent to Sch6bn, writes Ian Rodger in Vienna.

It forecast a cashflow of Sch800m for the year, the low end of a range indicated in May, and 16 per cent lower than last year.

US chemicals group takes $300m charge

W. R. GRACE, the US specialty chemicals producer, said it would take a third-quarter charge of $300m after taxes due to a reduction in its insurance coverage for asbestos property damage claims, Reuter reports.

Amcor expands with A$415m paper purchase

By Nikki Tait in Sydney

AMCOR, the Australian packaging and paper manufacturer, is buying the paper manufacturing and distribution operations of North Broken Hill Peko, the resources group, for A$415m (US$273m)

Amcor, which has faced tough import competition in the white papers market recently, said the expansion of this business should help it to reduce costs and become more competitive.

NBHP said the disposal was part of its strategy of concentrating on natural resources. It will retain ownership of its forestry business, including the wood chip export operations.

The businesses being sold comprise the pulp and paper manufacturing and paper merchanting operations – including three mills at Burnie and Wesley Vale in Tasmania and at Shoalhaven on the New South Wales coast – along with three paper merchanting businesses.

Last year, the operations produced a profit before interest and tax of A$29m. No turnover figure was disclosed, but it is understood to have been between A$600m and A$700m.

Amcor, which is funding the deal from internal resources and borrowings, already has a significant interest in the white papers market through its Australian Paper Manufacturers division and a 46 per cent interest in Spicers Papers.

"Amcor is not earning a satisfactory return on its significant investment in these industries," admitted Mr Stan Wallis, managing director, yesterday. The proposed acquisition, he suggested, would give Amcor "broader involvement in the marketplace – which is essential for a viable domestic industry".

Amcor has discussed the proposed deal with the Trade Practices Commission. "At this stage, the Commission has indicated it is unlikely to oppose the proposed acquisition," said the company.

The Australian Council of Trade Unions said it welcomed the deal and hoped it would end the lingering bitterness surrounding the Burnie mill in Tasmania.

Burnie was the centre of a fierce battle, which led to strike action last year, when NBHP attempted to change work practices. Amcor has pledged to consult the ACTU.

● Shares in Renison Goldfields rose sharply on speculation that NBHP, enriched by the sale of its paper assets, might now launch a takeover bid. Renison shares gained 22 cents to A$3.42, while NBHP added 5 cents to A$2.98, and Amcor advanced 4 cents to A$8.78.

Shougang to take control of HK metals business

By Simon Davies

SHOUGANG, the mainland Chinese steel group, will take control of its fourth Hong Kong-listed company, by increasing its stake in metal trading company Eastern Century from 23 to 60 per cent.

Since October 1992, Shougang has taken over Tung Wing Steel, Kader Investment and Santai, while purchasing substantial stakes in Hoi Sing and Paul Y-ITC.

Shougang Hong Kong bought 23 per cent of Eastern Century in February at HK$1.72 per share. Under the latest transaction, it is selling this stake to its listed subsidiary, Shougang Concord International, at HK$2.49.

A holding company 85 per cent-owned by SCI will acquire a further 37 per cent of Eastern Century from its biggest shareholder.

Publisher's shares slide as Kuok details offer

By Simon Davies in Hong Kong

SHARES in South China Morning Post, the Hong Kong newspaper group, fell 9 per cent yesterday. The drop followed the announcement that its major new shareholder – Mr Robert Kuok – would not be launching an outright takeover bid for the company.

The shares had been suspended from trading for six days pending the outcome of negotiations between Mr Rupert Murdoch's News Corporation – which owned 50 per cent of SCMP – and Malaysian-born Mr Kuok. A US$349m agreement to sell 34.9 per cent of SCMP was signed in Hong Kong on Sunday.

However, the deal is contingent upon there being no requirement for Mr Kuok to launch a general offer to all SCMP shareholders. Since the stake is below the Hong Kong takeover code's 35 per cent trigger level, this should be a formality.

Mr Kuok's Kerry Media revealed yesterday a further condition giving it the right to purchase News Corp's remaining 15.1 per cent stake in SCMP at HK$5.17 a share, plus interest payments based on the value of the investment, if a general offer is launched by the Kuok group within the next 18 months.

Mr Kuok is to be chairman of SCMP. His colleague, Mr Roberto Ongpin – the former Philippines minister for trade and industry – will be deputy chairman. Mr Kuok Khoon Ean and Mr Paul Bush are to become directors. Mr Murdoch and Mr Gene Swinstead have resigned from the board.

Mr Kuok has no newspaper experience. However, the fact that News Corp retains a 15.1 per cent stake in the company – short-term though this may be – means there should be relatively smooth transition in the management of what has been one of the world's most consistently profitable newspapers.

Transatlantic struggle of derivatives titans

Tracy Corrigan on charges of vested interest against Chicago's trading system

The deadlocked discussions between Liffe, the London-based futures exchange, and Globex, the 24-hour electronic trading system, drew a volley of criticism over the structure of Globex from European exchange chiefs at last week's annual industry gathering in Bürgenstock, Switzerland.

Globex was developed by Reuters, the Chicago Board of Trade and the Chicago Mercantile Exchange, but is run as a joint venture between the two Chicago exchanges. Concerned European exchange officials said that the vested interests of the Chicago exchanges were proving an obstacle to other exchanges joining the system.

Since the launch of Globex last year, only one other exchange, France's Matif, has listed its products on the system. The Matif transferred its existing after-hours telephone trading to Globex, and now contributes around 80 per cent of the system's volume. This gives the Matif a stronger voice in Globex affairs.

But other exchanges are concerned that membership of Globex would give control of their products to their rivals. "We would be a lot happier if we thought we would have direct control," said one exchange head.

The balance of power in the futures markets has shifted since Globex was conceived in 1987, when the two Chicago exchanges dominated trading.

Several officials pointed out that other Reuters trading systems are controlled solely by Reuters, which contributed the bulk of Globex's $80m development costs.

Despite an invitation to resume talks last week from CBOT chairman Mr Pat Arbor, there seems little immediate prospect of Liffe and Globex settling their differences. Negotiations broke down last month when the CBOT said that under the Globex contract it had exclusive rights to trade Bund futures on the system, even though it has not yet listed the product.

Mr Daniel Hodson, Liffe chief executive, said that Liffe would only re-enter negotiations if the listing of Liffe's bund contract on the system were "back on the table unconditionally". But Mr Arbor specified that the CBOT would reconsider its position on the bund contract only if two other issues were resolved first.

Reuters and the CME both wrote to the CBOT following the collapse of talks last month, expressing concern over the CBOT's position. Reuters officials declined to comment last week, except to express the company's long-term commitment to Globex, saying that the negotiations are in the hands of the joint venture company. However, the split between the two Chicago exchanges over the negotiations points to some deep-seated concerns about the future of the system.

"Reuters has a long-term view, but we (at the CBOT) are traders, we take a short term view and we have to begin to see some return on our investment," Mr Arbor said in a recent interview. The slow start to trading on Globex and the apparent reluctance of other exchanges to join the system could force a re-examination of the company's structure.

The issue of exclusivity – that only one instrument based on one underlying product can be listed – was described by the two Chicago exchanges last week as central to the Globex philosophy and necessary to maximise the liquidity of any contract on the system. But several non-US exchange officials said that they did not see why rival contracts, which vie for volume every day in the futures pits, could not similarly compete on Globex.

● Flex options were first listed earlier this year by the Chicago Board Options Exchange, not the Chicago Mercantile Exchange, as stated in Monday's Risk and Reward Column.

Reliance group seeks cash for refinery

By Shiraz Sidhva in New Delhi

RELIANCE Petroleum, part of the Reliance Industries group, is promoting India's biggest equity issue, a Rs21.72bn ($691m) offering to be launched on September 23.

The company will offer Rs8.61bn to the Indian public, Rs4.34bn to Indian financial institutions, and Rs2.17bn to foreign institutional investors registered with the Securities and Exchange Board of India.

The proceeds of the issue will be used to fund a Rs51.42bn 9m-tonne oil refinery in Jamnagar, Gujarat.

Indian mutual funds will be entitled to preferential allotments worth Rs4.34bn.

Shareholders of Reliance Industries, excluding non-residents and global deposit-holders, will be offered shares worth Rs2.17bn.

The plant will be India's first private-sector refinery, and will process petroleum crude. The prospectus says that growth in demand for petroleum products in India is expected to be between 5.2 and 6.5 per cent per year.

Additional refining capacity is being added to the existing public-sector refineries, after a gap of 11 years. This will help save foreign exchange on the importation of petroleum products.

The project, on India's western coast in Gujarat, is strategically located, enabling crude carriers to make a round trip to and from Saudi Arabia in 12 days, should domestic supplies from the nearby Bombay High oilfields be interrupted.

Reliance has signed a memorandum of understanding with the government-owned Bharat Petroleum Corporation, one of the largest distributors of petroleum products in India, for marketing its products.

The proposed Kandla-Bhatinda pipeline will run close to the refinery, making transport of petroleum products economically viable and environmentally safe.

● Unilever is to merge two subsidiaries, Lipton and Brooke Bond India, writes R.C. Murthy from Bombay. The deal will be carried out through a share swap of nine Brooke bonds for 10 of Lipton.

Lipton India's turnover last year was nearly Rs7bn, with a profit before tax of Rs340m. Brooke Bond recorded sales of Rs7.14bn, with a profit before tax of Rs640m.

The merger is part of Unilever's bid to integrate its food business in India into a single company, the company said.

Flat year for Goodman Fielder

By Nikki Tait

GOODMAN Fielder, the Australian food group, yesterday reported an 8.4 per cent increase to A$117.2m (US$77.1m) in profits after tax but before abnormal items.

After abnormals, which made a large dent in 1991-92's profits, Goodman saw a total profit of A$182m, compared with A$49.5m last year.

However, at the trading level, progress was more muted. Operating profit advanced by 0.2 per cent to A$245m on sales 1.8 per cent higher at A$3.98bn. A big jump for interest charges left pre-tax profits 1.4 per cent lower at A$164.1m.

Most divisions showed an improvement. The fall in pre-tax profits was due to a decline in profits from Australian baking and the timing of asset sales and acquisitions, which the group claimed cost A$9.4m.

● GIO Australia, the insurance group, saw after-tax profits fall by 11.9 per cent to A$103.1m in the year ended June.

US investors seen to focus on privatisations

AMERICAN institutional investors who want to increase their international equity holdings are expected to focus more closely on the global offerings of state-owned enterprises, according to a recent survey*, writes Antonia Sharpe.

Around 40 per cent of the survey's 40 participants, who collectively manage over $500bn in assets, said that prospects for investments in privatised French companies were good.

Over 60 per cent of respondents felt that the investment outlook for France was very positive.

Some 45 per cent said investment prospects were good in Italy, which is also about to launch a privatisation programme.

However, they indicated that they would be reluctant to invest in Italy without tangible evidence of its regulatory and economic reform.

While 75 per cent said their investment in privatisation issues over the past few years had met or exceeded their expectations, they were disappointed with the investor communication programmes of the companies concerned.

Over 90 per cent of respondents said non-US companies would gain more acceptance on Wall Street and suffer less flowback of stock if they conducted active investor relations programmes.

*International Investment Trends, Broadgate Consultants Inc, Suite 200, 375 Hudson Street, New York.

Decks cleared ahead of Italian global deal

By Antonia Sharpe

ISSUANCE in the international bond market yesterday was mainly restricted to top-quality borrowers as the decks were cleared for the Republic of Italy's global offering.

The dollar-denominated issue, which could be launched early tomorrow for pricing on Thursday, is widely expected to raise $5bn. This would break

INTERNATIONAL BONDS

the current record of $3bn for a global bond offering.

Italy is thought to be considering a two-tranche structure for its first global offering, one with a maturity of 10 years and the other with a maturity of 30 years. The yield spreads being discussed in the market are 60-65 basis points for the 10-year tranche, and 80-85 basis points for the 30-year tranche.

Bankers said initial reaction from east Asian investors to the Italian roadshow had been muted, but that it had strengthened in recent days. They also reported that Italian treasury officials were encouraged by response from the US.

This is the first opportunity for US domestic investors to buy dollar bonds issued by Italy. The extent of their interest will determine the issue's size.

Borrowers are queueing up to tap the Euromarket once Italy's offering is out of the way. KfW, the triple-A rated German government agency for redevelopment, is understood to be preparing a 10-year offering to raise between DM1bn and DM1.5bn.

The offering, via Commerzbank and CSFB, is expected to be priced to yield 15 basis points over underlying German government bonds. This is roughly the same spread at which KfW raised DM1.5bn through a 10-year deal last March.

The Japanese Development Bank is thought to be looking at the sterling sector for its planned Eurobond offering. The market has been waiting for JDB to raise the equivalent of between $200m and $300m in the Euroyen sector. However, the sterling sector currently offers a swap into yen which would enable JDB to narrowly beat its funding target. JDB last launched a sterling Eurobond issue in 1988.

Among yesterday's issues, Kellogg, the US breakfast cereals group, capitalised on its triple-A rating and its rarity value to achieve a spread of just nine basis points over Canadian Treasuries for its C$265m, five-year Eurobond offering.

Lead manager Lehman Brothers said Kellogg had only launched five Eurobond issues of more than $100m in the last 10 years. The proceeds of the issue were thought to have been swapped into dollars.

Demand for the Council of Europe's eight-year Ecu150m Eurobond issue was such that the bonds rose as high as 100% in the afternoon from their par re-offer price. There has been a severe shortage of new issues in this sector. Joint lead manager UBS said European retail investors were particularly keen buyers of the bonds.

Investors looking for high-yielding paper in the French franc sector were attracted to the five-year FFr750m Eurobond issue launched by Pemex, the Mexican state oil company.

The bonds were priced to yield 212½ basis points over underlying French government bonds. They were not freed to trade by late afternoon.

Pemex, which raised FFr500m last year, is the only Latin American borrower so far to have tapped this sector of the Euromarket.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Metropolis of Tokyo	240	5.50	99.34R	Oct.2003	0.325R	+28 (5¾%-03)	IBJ International
FRENCH FRANCS							
Petroleos Mexicanos	750	7.75	99.90R	Sep.1998	0.75R	+212½(8½-98)	Banque Paribas
CANADIAN DOLLARS							
Kellogg Co.	265	6.25	99.82R	Oct.1998	0.25R	+9 (6½%-98)	Lehman Brothers Intl.
ECUS							
Council of Europe	150	6.375	100R	Nov.2001	0.3R	-	Goldman Sachs/ UBS

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. R: fixed re-offer price; fees are shown at the re-offer level.

Bundesbank to be agent for state bond issue

By Conner Middelmann

THE German federal state of Lower Saxony will shortly issue bonds through the state central bank of Bremen, Lower Saxony and Saxony-Anhalt, the Bundesbank's regional branch in Hanover. It is the first time the Bundesbank will act as an issuing agent for a state.

The Landeszentralbank will auction the bonds for Lower Saxony on October 5. They are likely to have a 10-year maturity and will be listed on the Hanover and Frankfurt stock exchanges, where the Bundesbank will engage in market-smoothing operations. They will also be listed on the electronic Ibis trading system, the state's finance ministry said.

It is hoped the issue, which is targeted at a wide range of investors, will raise between DM1.5bn and DM2bn, said Mr Holger Kordt, a Treasury official at the finance ministry.

Lower Saxony has a borrowing requirement of some DM10bn this year, about half of which has already been raised. Most of it is being used to refinance old debt.

Until now, Lower Saxony has issued *Schuldscheine*, or negotiated promissory notes, and less liquid bonds, which are not actively traded and whose prices are not usually tended by the central bank.

"We are hoping to offer investors an instrument that has high liquidity and a government name," said Mr Kordt. Lower Saxony planned to become a regular borrower. "This is not just a one-off issue; we hope to begin a steady flow of issuance via the Bundesbank," he said.

Nevertheless, the bonds will be less liquid than bunds or Treuhand bonds, whose issue size average about DM10bn. Nor will they be deliverable into the bund futures traded in Frankfurt and London. Dealers expect them to yield between 15 and 25 basis points over 10-year government bonds.

"I think it will remain largely domestic paper – it will be too small to arouse big international demand," said a Frankfurt analyst.

Reform will open Dutch bourse to outside capital

By Ronald van de Krol in Amsterdam

MEMBERS of the Amsterdam stock exchange will be allowed to participate for the first time in the share capital of the bourse's "hoekmen", or stock jobbers, under proposals put forward yesterday.

A stock market committee said it was "probably inevitable" that the hoekmen firms would turn to other members of the exchange to help strengthen their capital bases.

Although there will be no limits to the size of outside investment, the hoekmen must retain their independence in day-to-day operations.

Among the obvious candidates for putting up money are Dutch-based banks already active in bourse trading through their stockbroking subsidiaries. However, the bourse's members also include subsidiaries of foreign banks and brokers.

The proposals are a development in plans for sweeping reforms of the Dutch stock exchange, due to take place early in 1994.

The reforms, which centre on plans to divide the market into retail and wholesale segments, will mean that many of the 23 hoekman firms will disappear, to be replaced by better-capitalised "specialists" similar to those on the New York Stock Exchange.

The bourse has said that no more than 10 specialists are expected to be active in the retail segment of the market.

Each of the new-style specialists will have exclusive rights to trade in specific stocks among Amsterdam's 30 most actively-traded companies. Currently, several competing hoekmen tend to trade in the same stock.

The committee proposed yesterday that the top 30 companies be apportioned among interested hoekmen according to each firm's past level of brokerage fees in the stock.

Those hoekmen firms which decide to close down will receive the equivalent of one year's total fees, based on average fees generated over the past 2.5 years. These sums will be paid by those hoekmen prepared to become specialists.

The committee's proposals will be examined by the bourse's management next month before being put to a general meeting of bourse members in November.

The overall bourse reforms are designed to equip Amsterdam to beat off competition from London.

More Russian licences given to foreign banks

By Leyla Boulton in Moscow

TWO more western banks yesterday received licences to set up subsidiaries in Russia as the Russian central bank attempted to head off a plan by parliament to ban foreign banks from dealing with Russian customers.

Western bankers said that the central bank had confirmed general banking licences for Credit Suisse and the Netherlands' ING Bank. This extends to six the number of banks that have received permission to start operations in Russia.

On Friday, parliament is due to decide whether to confirm a resolution confining foreign banks to dealing with foreign clients from 1994 to 1996.

Mr Viktor Gerashchenko, the central bank chairman, is thought to be trying to present parliament with a fait accompli by giving licences to as many foreign banks as possible before parliament takes a decision reversing the terms of the licences.

● Banque Indosuez is to close its Japanese share broking operations in Tokyo, Reuter reports from Tokyo. This follows an earlier decision to close its Indosuez Capital Securities operation in London.

D-Mark's slip dampens enthusiasm for bunds

By Conner Middelmann and Tracy Corrigan in London and Frank McGurty in New York

THE D-Mark's slippage against the dollar and several European currencies dampened demand for bunds, but helped boost prices in other continental European markets.

After range-trading all day, German government bonds were sold towards the close, with the December bund future hitting a low of 98.30 in after-hours trading.

■ THE Belgian franc's recovery against the D-Mark boosted

GOVERNMENT BONDS

Belgian bonds, which rose ¾ point on the day. The franc was not dented by the Belgian central bank's cut in its end-of-day rate to 12 per cent, which fuelled hopes for further rate cuts.

The medium-dated sector outperformed the long end, and five-year Belgian bonds now yield some 87 basis points over their German counterparts, down from a spread of 107 basis points at yesterday's opening. The 10-year yield spread shrank to 97 from 105 basis points.

■ FRENCH government bonds gained in the morning on growing hopes that the Bank of France might cut its 6.75 per cent repo rate. However, when that rate was left unchanged, 10-year bond prices eased from their highs to end only slightly stronger. Two- and five-year notes fell slightly as traders set up positions ahead of Thursday's new supply.

The franc's gains against the D-Mark underpinned sentiment and kept hopes for a near-term easing alive, with some traders betting on a rate cut at Thursday's repo operation.

■ UK GILT prices ended little changed after slipping back just before the close of the market.

In an otherwise lacklustre trading day, the index-linked sector performed well. The 2024 index-linked gilt ended 1¼ points higher, to yield 3.16 per cent, down from 3.23 per cent.

The Bank of England took advantage of the price surge to announce a £250m tranche of 4⅛ per cent index-linked stock due 2030 today.

■ AFTER resuming their upward trend at the end of last week, US Treasuries continued to rise in quiet trading yesterday morning as the market awaited today's figures on retail price inflation during August.

By midday, the benchmark 30-year government bond was up ¼ at 105½, yielding 5.856 per cent. At the short end of the market, the two-year note was unchanged at 100⅛, to yield 3.774 per cent.

Traders were mostly biding their time in anticipation of the government's release of last month's consumer price index, which is expected to show retail prices edging higher, following a 0.1 per cent increase in July and no change in June.

FT FIXED INTEREST INDICES

	Sep 13	Sep 10	Sep 9	Sep 8	Sep 7	Year ago	High *	Low *
Govt Secs (UK)	102.88	102.64	102.54	102.69	102.47	90.11	102.86	93.28
Fixed Interest	124.99	124.94	125.04	124.98	124.61	108.46	125.20	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 125.20 (1/9/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Sep 10	Sep 9	Sep 8	Sep 7	Sep 6
Gilt Edged Bargains	103.6	128.9	130.2	95.4	91.1
5-Day average	107.1	115.3	116.2	135.5	164.5

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	120.7834	+0.717	6.61	6.60	6.94
BELGIUM		9.000	03/03	112.7500	+0.400	7.11	7.29	7.12
CANADA *		7.500	12/03	105.6400	+0.185	6.73	6.73	6.88
DENMARK		8.000	05/03	108.2500	+0.050	6.80	6.80	6.92
FRANCE	BTAN	5.750	11/98	100.6196	+0.264	5.60	5.65	5.73
	OAT	6.750	10/03	104.6600	+0.160	6.11	6.15	6.30
GERMANY		6.500	07/03	102.6000	+0.130	6.14	6.13	6.34
ITALY		10.000	08/03	104.9900	-0.050	9.43†	9.75	12.36
JAPAN	No 119	4.800	06/99	105.9101	-0.206	3.57	3.66	3.77
	No 157	4.500	06/03	102.7903	-0.252	4.10	4.24	4.18
NETHERLANDS		7.000	02/03	106.9500	+0.170	6.00	5.99	6.22
SPAIN		10.900	03/03	111.8000	+0.300	9.03	9.20	9.49
UK GILTS		7.250	03/98	103-29	+4/32	6.24	6.30	6.25
		8.000	06/03	108-21	+12/32	6.77	6.83	6.88
		9.000	10/08	117-09	+16/32	7.11	7.22	7.32
US TREASURY *		5.750	08/03	103-27	+22/32	5.24	5.29	5.65
		6.250	08/23	105-18	+8/32	5.85	5.94	6.12
ECU (French Govt)		8.000	04/03	109.9700	+0.400	6.66	6.66	6.87

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on September 13

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	57	7	14
Other Fixed Interest	3	0	12
Commercial, Industrial	279	273	888
Financial & Property	151	99	573
Oil & Gas	11	26	44
Plantations	1	0	7
Mines	13	69	53
Others	59	25	34
Totals	574	499	1,606

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

pm Price at a premium. † Price offered to public.
For other notes please refer to the Guide to the London Share Service.

TRADITIONAL OPTIONS

● First Dealings Sept.13
● Last Dealings Sept.24
● Last Declarations Dec. 9
● For settlement Dec. 20

3-month call rate indications are shown in Saturday editions.

Calls: Aminex, Amstrad, Cannon St. Inv., Era Group, IBC, Lincat, Molynx, P & P, TR Tech., Transfer Tech. and Wembley. Puts: Euro Disney Puts & Calls: Babcock and IBC.

FT-SE ACTUARIES INDICES

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 Indices and the FT-SE Actuaries Industry Baskets are calculated by The International Stock Exchange of the United Kingdom and Republic of Ireland Limited. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1993. All rights reserved.

The FT-Actuaries All-Share Index is calculated by The Financial Times Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries. © The Financial Times Limited 1993. All rights reserved.

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 Indices, the FT-SE Actuaries Industry Baskets and the FT-Actuaries All-Share Index are members of the FT-SE Actuaries Share Indices series which are calculated in accordance with a standard set of ground rules established by The Financial Times Limited and London Stock Exchange in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

"FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited.

LIFFE EQUITY OPTIONS

[illegible]

September 13 Total Contracts 30,012
Calls 17,677 Puts 12,335
FT-SE Index Calls 8,328 Puts 7,151
Euro FT-SE Calls 2,792 Puts 1,161
*Underlying security price. † Long dated expiry months.
Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Mon Sep 13	Day's change %	Fri Sep 10	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (23)	129.12	+0.06	129.05	2.09	7.91
2	5-15 years (23)	156.49	+0.13	156.62	1.57	9.82
3	Over 15 years (9)	176.69	+0.29	176.18	0.63	9.79
4	Irredeemables (6)	208.63	+0.73	207.11	2.74	8.83
5	All stocks (61)	151.93	+0.15	151.91	1.59	9.23
	Index-Linked					
6	Up to 5 years (2)	187.52	+0.01	187.51	0.65	3.41
7	Over 5 years (11)	184.98	+0.72	183.65	0.63	3.79
8	All stocks (13)	184.34	+0.65	183.15	0.63	3.74
9	Debs & Loans (65)	145.08	+0.55	144.28	2.22	7.96

AVERAGE GROSS REDEMPTION YIELDS

			Mon Sep 13	Fri Sep 10	Year ago (approx.)
	British Government				
1	Low	5 years	6.31	6.33	8.63
2	Coupons	15 years	6.98	7.00	8.63
3	(0%-7¾%)	20 years	7.10	7.13	8.63
4	Medium	5 years	6.44	6.46	9.41
5	Coupons	15 years	7.11	7.13	8.86
6	(8%-10¾%)	20 years	7.18	7.21	8.76
7	High	5 years	6.64	6.66	9.68
8	Coupons	15 years	7.34	7.37	9.10
9	(11%-)	20 years	7.36	7.39	8.94
10	Irredeemables(Flat Yield)		7.28	7.31	8.85
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.52	2.52	4.70
12	Inflation rate 5%	Over 5 yrs.	3.14	3.19	4.64
13	Inflation rate 10%	Up to 5 yrs.	1.77	1.77	3.87
14	Inflation rate 10%	Over 5 yrs.	2.97	3.02	4.44
15	Debs &	5 years	7.65	7.72	10.51
16	Loans	15 years	8.00	8.05	10.25
17		25 years	8.15	8.20	10.12

Provision holds Dalgety back

By Roland Rudd

DALGETY, the food and agriculture group, reported pre-tax profits up slightly, from £111.6m to £112.2m, for the year to June 30, after making an exceptional provision of £9m to cover claims associated with the sale of an insurance business.

Operating profits rose 6 per cent to £130.4m on increased sales of £4.5bn (£4bn).

A strong performance from the agricultural supplies operation and food distribution offset a disappointing result from food ingredients.

The group is having to provide £9m for insurance losses incurred a decade ago by Bain Clarkson, known as Clarkson Puckle when it was a subsidiary of Gill and Duffus, the trading group, acquired by Dalgety.

Clarkson was involved in reinsurance cover for US companies against claims for environmental damage. The scale of the liabilities were not known when Dalgety sold the insurance company to Inchcape in 1987.

Mr Richard Clothier, chief executive, said the payment closed the matter by extricating the group from any possible litigation.

Following its recent announcement that it was buying two businesses from Unigate, the food and distribution group, for £15.7m, Mr Clothier said he expected to make further infill acquisitions.

But he warned against speculation that the group was about to make a big acquisition in Europe. "We are not going to be rushed into paying silly prices."

Food distribution increased operating profits by 27 per cent to £15.2m on the back of strong volume growth in both the McDonalds and National Accounts divisions.

An increase in volumes of consumer foods helped the foods division report a 10 per cent increase to £65.7m.

Agribusiness increased its market share and cut costs to enable it to increase profits by 14 per cent to £32.1m.

However, operating profits from food ingredients fell 24 per cent to £17.4m, mainly because of the sale of Modern Maid and Federal Bakeries and the temporary closure of a plant.

Net borrowings of £49m reflected gearing of 12 per cent.

Earnings per share fell to 35.7p (36.3p), although excluding exceptional items they rose to 39.4p (38.6p).

The final dividend is raised to 12.65p (12p) giving an increased total of 20.5p (19.5p).

Trevor Humphries

Richard Clothier: further infill acquisitions are likely

● COMMENT

After rationalising its businesses and strengthening its balance sheet, Dalgety looks well positioned for further growth. A 26 per cent increase in capital investment to £81m and a tough cost-cutting programme flowed through in three of the four divisions which increased operating profits. The big acquisition continues to prove elusive. Most promising areas in Europe are snacks and pet foods, but both are dominated by larger players, which may be why management is so keen to dampen expectations. With forecast annual pre-tax profits of £130m the shares are on a prospective multiple of 13. It may not be a sparkling performer but given the reliability of earnings the shares still look attractive.

Ferranti shares fall on warning

By Andrew Bolger

SHARES in Ferranti International lost 3½p to 8½p after the struggling electronics group said profitability had not improved in the first few months of its financial year.

Ferranti, which came close to collapse following the 1989 discovery of huge fraud in International Signal and Control, its US subsidiary, said its net assets had fallen to less than half its share capital.

This had triggered a need for an extraordinary meeting of shareholders, set for October 7, to decide on its next moves.

Ferranti said it was working on strengthening its balance sheet by equity injection or partnerships, and on winning new business, rationalising further and producing a profit.

Ferranti said its board would consider, after a sustained return to profit, a reduction in capital to allow the resumption of dividends. A suitable capital reconstruction could be considered at the same time.

However, the board recommended that no such action be taken in the meantime because there would be no practical benefit for the group and the associated costs could not be justified.

Ferranti incurred a pre-tax loss of £24.5m in the year to March 31, against a loss of £46.2m in the previous year.

In June, Mr Eugene Anderson, chairman since 1990, said Ferranti had cut its bank borrowings from £700m to less than £100m since 1989 and reduced its overdue creditors payments from £55m to £19m, but he said the process needed to be accelerated.

Boots plans 240 new high street chemists stores

By Neil Buckley

BOOTS the Chemists yesterday gave a robust defence of its growth prospects, saying it planned to open 240 new high street chemists stores by 1997, and still saw scope for increasing profit margins.

Presenting the strategy Mr Gordon Hourston, managing director, attempted to counter City fears that there was little room for further profits growth at the chain, which contributed 67 per cent of group sales and 70 per cent of pre-tax profits last year. Those fears have contributed to a significant underperformance by the shares this year. They closed 8p down at 489p yesterday.

Mr Hourston said that in five years, the chemists chain had increased pre-tax profits from £151m to £285m and sales from £2.08bn to £2.65bn.

It had also increased its return on capital employed from 35.5 per cent to 64.4 per cent, about three times that of the biggest grocery superstores.

"We see at least as much scope for shareholder value growth now as we did five years ago," Mr Hourston said.

He added that Boots had not been hurt by high-profile price-cutting campaigns by its rival Superdrug on fragrances, condoms and sun-care products.

He said that Boots, which followed Superdrug's move by slashing the prices of 22 sun-care products, had increased its market share from 45 per cent to more than 50 per cent as a result.

He added that there was still considerable scope for increasing gross margins.

Mr Ian Webster, director of planning, said that across 24 product areas, the contribution per sq m of floor space varied widely, and by experimenting with such factors as product mix and shelf-space allocation, the contribution of under-performers could be improved. Some unprofitable categories could be discontinued.

Boots is trialling different approaches to improving the performance of unprofitable ranges across its 1,100 stores.

The chain is continuing to expand its own brand products, which make higher gross margins, and of which 33 per cent are manufactured by the group. It is stepping up its battle with Body Shop by launching a new "global collection" of toiletries and cosmetics made from natural ingredients.

Another prong of Boots' strategy is to expand its network of small chemists, opening one store every 10 days for the next four years. Mr Ron Glaister, director of stores, said the small stores made the biggest return on capital, and the company had identified 240 target sites.

An experimental programme has also begun of opening outlets inside Sainsbury's superstores. Boots said the seven outlets now operating differed in their siting and product mix, but overall, their performance was above expectations.

See Lex

CentreGold to play the market

By Paul Taylor

CENTREGOLD, a leading UK publisher and distributor of video game and computer entertainment software, is planning to come to market through a placing with institutional investors.

The Birmingham-based group was founded by Mr Geoff Brown, a former teacher, with £200 of capital 10 years ago.

Mr Brown expects to retain about a 30 per cent stake in the group. He said the planned flotation would provide additional capital for the group and enable it to continue to expand in both UK and other markets.

In the 12 months to July 31 1992 CentreGold doubled its pre-tax profits to £1.7m on sales of £55.1m and in the eight months to end-March this year posted pre-tax profits of £2.55m on sales of £25.3m. "We have expanded steadily through organic growth," Mr Brown said.

The group operates through two main subsidiaries – CentreSoft, which distributes computer and video game entertainment software to 1,300 retailers including the Boots and John Menzies chains, and US Gold, which publishes PC software and video games for Sega and Nintendo games machines on both sides of the Atlantic.

Other subsidiaries include Electric Dreams, which sells computer entertainment software and hardware through concessions within Harrods in Knightsbridge and Allders in Croydon, and IBD which provides wholesale distribution of low- cost, often older, business software and peripherals.

CentreSoft ranks among the biggest distributors of Sega and Nintendo games cartridges in Britain while US Gold ranks among the top six UK publishers.

After producing the official video game for the Barcelona Olympics, CentreGold now has the rights to next year's winter Olympics in Norway and World Cup football finals in the US.

CentreGold has been advised by Smith New Court.

Select Appts cuts losses to £692,000

Select Appointments, the USM-quoted international employment agency, cut its first half pre-tax losses from £948,000 to £692,000.

The figure was struck after interest charges of £415,000 (£416,000). These will be reduced in the second half following the repayment of borrowings to its parent, Waverley, out of the proceeds of the preference share issue in July.

Turnover increased from £9.8m to £12.7m, reflecting the recent acquisitions in the US, Hong Kong and London, which are expected to benefit performance in the second half.

There was a loss per share of 0.32p (0.44p).

Profits growth slows at EIS

By Catherine Milton

LOWER interest income following last year's five acquisitions for a total of £12m in cash slowed the rise in pre-tax profits at EIS Group, the specialist engineer, to £7.86m in the six months to June 30.

That compared with £7.34m last time and was scored on the back of a £28.4m improvement in turnover to £123.9m.

"In April we said that the current arduous climate was likely to continue through 1993 and we did not see the worldwide downturn in demand for capital goods ending this year. This has proved to be correct so far," Mr Peter Haslehurst, chief executive, said.

He added that "about £25m of the sales increase reflected acquisitions made in the second half of 1992, including Fluidrive and Sime, the transmission companies, for a net £4.7m, and the Silleck technical mouldings companies for £3.74m," he added.

First half acquisitions contributed £528,000 to turnover compared with £2.1m in the first half of 1992.

Operating profits rose to £7.73m (£6.73m). "Most of the growth in profits came from organic growth which in this market is generated by reductions in costs, by design and by improvements in manufacturing productivity."

EIS, which manufactures in 18 countries, said Flexibox had made progress by developing markets such as seals for environmental protection. There was some improvement in machinery for plastic, and wire and cable production.

The vacuum and filtration markets remained difficult while aircraft and precision engineering companies traded in "thin conditions".

Interest received fell to £80,000 (£573,000). The company said this reflected its 1992 acquisitions.

The £24m rights issue in April had been successful, with the proceeds received in June remaining intact. The cash would allow further acquisitions.

The interim dividend is being lifted from 3.225p to 3.3p from earnings per share of 13.12p (12.48p).

Candover drops to £1.63m

By Peggy Hollinger

LOWER INTEREST rates hit pre-tax profits at Candover Investments, the investment trust specialising in management buy-outs, which yesterday reported a 28 per cent decline to £1.63m for the six months to June 30.

The group reported a 5 per cent increase in its net assets per share, however, to 281p. Mr Roger Brooke, chairman, said the rise in net assets reflected the strong performance of the companies in which Candover had invested.

Mr Brooke was bullish about Candover's prospects in the medium term, saying he had discerned positive signs of economic recovery. Although in the past, most improvements in Candover's investments had been due to cost cutting and productivity increases, there had been recent signs in an upturn in consumer demand. "It shows recovery is happening; not very fast and not universally, but it is happening," Mr Brooke said.

Candover was also expecting to realise investments in at least five of its companies, he said – including Midland Independent Newspapers and Inspec – which were planning public flotations in the near future.

As a result of these prospects, the interim dividend was increased by 5 per cent to 3.95p (3.75p). Earnings per share fell from 6.81p to 4.87p.

Operating income fell from £2.28m to £1.64m due to lower interest gains and a reduction in financing fees. Only one major deal had been done in the first half – the buy-out of catering company Gardner Merchant – compared with several the previous year.

Mr Brooke said he expected the second half to remain largely similar to the first. However, prospects for buy-outs of more than £100m appeared more encouraging next year. "We have seen a considerable uplift in the number of deals that look interesting," he said.

Hamlet listing with £20m tag

By David Blackwell

HAMLET GROUP, which imports clothing to supply the UK retail trade, is planning to come to the London market next month with a share offering of about £20m.

More than half the shares on offer are expected to be placed with institutions, with the rest to be offered through intermediaries. Beeson Gregory are the sponsors.

Hamlet, which began as a family concern in east London in the late 1960s, was acquired in 1987 by Southend Property Holdings in a cash and shares deal worth more than £14m. In 1992 a management buy-out was completed, leaving the management and Causeway Capital with 80 per cent of the company and Southend Property with 20 per cent.

About one third of the £20m listing proceeds will be new money; another third will be used to repay preference capital; and the remainder will go to existing shareholders who are sellers. Causeway is not selling any of its ordinary shareholding of about 35 per cent.

After the flotation, existing shareholders are expected to have about half the company. Mr Aharan Nathan, managing director, said the proceeds would be used to reduce debt and increase working capital for future expansion.

In the year to the end of March, Hamlet reported pre-tax profits of £4.2m (£3.1m) on turnover of £58.9m (£32.8m).

About a half of Hamlet's business is in budget priced menswear, with 35 per cent in ladieswear and the remainder casual clothing. Its customers include C&A, Top Shop, Freemans and Dorothy Perkins.

Aside from one of its subsidiaries, no single customer accounts for more than 5 per cent of turnover. At the same time no single supplier accounts for more than 10 per cent of its supplies. Overseas suppliers are situated from Hong Kong and China to the United Arab Emirates, Greece and Portugal.

NEWS DIGEST

Sharpe & Fisher static at £658,000

SHARPE & Fisher, the Gloucester-based building supplies and property company, reported pre-tax profits for the first half of 1993 little changed at £658,000, against £647,000 restated for FRS 3.

However the comparable figure was boosted by £245,000 from the sale of properties and a £72,000 credit from discontinued activities. Operating profits this time were ahead at £937,000 (£723,000) helped by an improved performance from building supplies.

The interest charge fell to £279,000 (£393,000) as a result of lower interest rates and earlier collection of amounts due from customers. Gearing at the period end was 38 per cent.

Earnings per share were 2.1p (2.4p). The interim dividend is being held at 1.5p.

Merchants Trust net assets rise

Merchants Trust raised net asset value by 8.5 per cent to 255.7p at July 31, against a restated 235.6p six months earlier and 196.9p a year before.

The trust said the result included a positive contribution to capital growth from the investment of a large part of the proceeds from the additional borrowing raised last June.

Interim net attributable earnings fell from £6.61m to £5.89m and earnings per share came to 5.75p (6.46p). A second quarterly dividend of 2.65p (same) has been declared making an unchanged 5.3p to date - a total of not less than 11p (10.6p) is forecast for the current year.

Results have been prepared in accordance with FRED 3 and comparisons restated.

Berry Starquest net assets advance

Berry Starquest had a net asset value per share of 200.1p on July 31 compared with 157.1p a year earlier and 170.7p at the January 31 year end.

Net revenue for the six months improved to £48,000 against £40,000 for earnings per share up from 0.8p to 0.9p.

Kleinwort Develop net assets up 11%

Net asset value at Kleinwort Development Fund advanced 11 per cent from 320.89p to 354.92p over the 12 months to July 31.

Net profits for the year to the end of July came out at £622,614 (£825,045) reflecting a fall in investment income. Earnings per share were 10.29p (13.64p). A final unchanged dividend of 7.75p is recommended for a maintained total of 10.5p.

Fleming Emerging Markets ahead

Fleming Emerging Markets Investment Trust raised fully diluted net asset value by 26 per cent from 104.5p to 131.3p at the end of June. The figure had risen to 140.4p at September 9.

As announced in May, the company is not paying a dividend for the year (1.2p). Net income dropped 71 per cent to £215,747and this amount has been transferred to revenue reserve. Earnings per share were 0.22p (1.22p).

Total assets at June 30 more than doubled from £63.2m to £133m, helped by the raising of £50m – before expenses – by way of a "C" share issue.

Louis Newmark cuts loss to £1.58m

With the loss in the second half down to £584,000, against £993,000 in the first Louis Newmark's pre-tax losses for the year to April 3 were £1.58m (£1.93m).

Turnover for the engineering and specialist equipment group was £23.9m (£24.8m) including £1.15m (same) from discontinued activities.

Venables quits Spurs board

Mr Terry Venables has resigned as a director of Tottenham Hotspur. He sold most of his 23 per cent stake in the London football club 10 days ago after giving up his fight to buy the stake of Mr Alan Sugar, the Spurs chairman.

Mr Sugar had sacked him earlier as chief executive. Spurs also announced yesterday that Dempsey Opportunity Fund had bought a 4.0625 per cent stake in the club.

Flagstone halts share dealings

Flagstone Holdings, the marina, leisure and property group, asked for its shares to be suspended at 2½p. Progress has been made in talks on a big acquisition in the leisure sector and the raising of new equity.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Billam (J)	int	2.2	Oct 29	1.9	-	5
Brit Polythene	int	3.75†	Nov 26	3.5	-	10
Candover Invs	int	3.95	Oct 20	3.75	-	10.25
Dalgety	fin	12.65	Jan 4	12	20.5	19.5
Dewhirst	int	0.4	Nov 12	0.32	-	1
EIS	int	3.3†	Dec 31	3.225	-	12
FII	fin	6.75	Jan 4	8.5	14.75	14
Fleming Emerging	fin	nil	-	1.2	nil	1.2
Forth Ports	int	2.25	Nov 11	2	-	6.25
Inchcape	int	5.8†	Jan 4	5.4	-	13.75
Kleinwort Dev	fin	7.75	Dec 13	7.75	10.5	10.5
Merchants Trust	int	2.65☆	Nov 19	2.65	-	10.6
Nestor-BNA	int	1.15	Oct 29	1.15	-	3.15
Pendragon	int	2.4†	Oct 18	2.2	-	6.6
Second Alliance	fin	26.5	Oct 22	24.5	39	36.5
Sharpe & Fisher	int	1.5	Nov 16	1.5	-	4

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ☆ Making 5.3p (same) to date.

Shoe maker's shares fall as sterling devaluation takes its toll

FII tumbles 19% to £5.2m

By Peggy Hollinger

THE DEVALUATION of sterling dealt a heavy blow to FII, the UK shoe manufacturer which yesterday reported a 19 per cent tumble in annual pre-tax profits to £5.2m.

The shares responded via a 15p fall to 413p.

Mr Monty Sumray, chairman, said substantial cost increases of up to 20 per cent were imposed "almost overnight" as a result of the UK's withdrawal from the exchange rate mechanism in September. FII buys 25 per cent of its raw materials and components, such as leather uppers, from abroad.

The decline in buying power was exacerbated by demands from FII's customers for price reductions to cope with lower demand. FII supplies some 50 per cent of its footwear to Marks and Spencer. As a result, margins fell by 2.5 per cent in the second half alone.

Mr Sumray estimated the margin decline had cost the group some £1m.

Pre-tax profits for the year to May 31 were further depressed by the £350,000 costs of the group's unsuccessful bid for its fellow UK shoe manufacturer C&J Clark. FII was one of three contenders invited earlier this year by the family-owned group to bid. Shareholders eventually rejected all offers. Mr Sumray said the bid had been a "waste of money, in a sense".

On a brighter note, customers' reluctance to place orders in the face of recession appeared to be disappearing. Turnover increased by £2m to £82m in the year. Mr Sumray said the group's factories were operating at full capacity, after a period of short-time working in the second half.

The chairman said FII was taking several steps to repair damage done to margins last year. These included some job cuts, investment in more efficient machinery, new shoe ranges and penetrating new markets – including the US and Japan. Although these measures would not restore margins in the short term, Mr Sumray was optimistic growth would be resumed next year.

FII exported some 8.5 per cent of its footwear sales, which rose overall by 3 per cent to £71m. Mr Sumray said the increase had been achieved in a declining market where imports claimed some 71 per cent of sales. Operating profits fell from £6m to £4.9m.

FII's scientific and technical division, manufacturing medical equipment, had been steady, he said, with sales of £11.3m (£11.6m). Operating profits were static at £100,000.

Earnings per share fell from 30.8p to 22.7p. A final dividend of 8.75p (8.5p) makes a 14.75p (14p) total.

Premier Consolidated Oilfields drops 12%

By Robert Corzine

PREMIER CONSOLIDATED Oilfields yesterday reported a 12 per cent fall in net profits for the first half of 1993, from £5.2m to £4.6m, with last year's figure restated to allow for accounting policy changes.

But the UK independent exploration and production company predicted that output would jump from 14,200 barrels a day at present to 20,000 b/d by 1996.

Mr Charles Jamieson, chief executive, said a planned maintenance shutdown last April at the Wytch Farm field in the UK and declining production at the offshore Angus field accounted for much of the fall in net profits.

The shutdown caused average first half production to fall to 11,000 b/d, which was reflected in lower turnover of £23.6m (£26.3m) and operating profit of £8.7m (£9.7m).

Earnings per share were 12 per cent down at 0.84p (0.95p).

The company said three areas – Wytch Farm, the Fife oil field in the North Sea and the Qadirpur gas project in Pakistan – would help boost production to a peak of 20,000 barrels of oil equivalent per day by 1996. Mr Jamieson said the first successful horizontal well at Wytch Farm extending under Poole Bay would ensure that the company's higher production level would be maintained this year, with Fife and Qadirpur coming fully on stream in coming years.

Mr Roland Shaw, chairman, said the company was also well placed to carry on with its "aggressive exploration programme" despite current low oil prices. But the option of "purchasing reserves is still there," according to Mr Gerry Orbell, exploration director.

He said that although there would be no fall in Premier's overall exploration spending, in the short-term the emphasis would be on lower-risk exploitation and appraisal of existing discoveries. In the past five years one in eight of Premier's wildcat wells drilled outside the UK had proved to be commercial. The record in the UK was one in 10.

Pendragon shows 42% improvement to £3.07m

By Paul Taylor

PENDRAGON, the dealer in luxury and executive cars, yesterday reported a 42 per cent gain in interim profits, mainly reflecting higher margins.

Pre-tax profits jumped to £3.07m in the six months to June 30, from £2.17m in the year-ago period, on sales which grew by 18.3 per cent to £119.6m (£101.2m) including £1.24m from acquisitions. Operating profits increased to £3.57m (£3.12m) and interest payments fell to £495,000 (£949,000).

Earnings per share came out at 6.1p, a 27 per cent rise on the 4.8p reported in 1992, after adjusting for the effects of the group's recent £16.6m rights issue. The interim dividend is being increased to 2.4p (2.2p).

Despite this, Pendragon's results were less sparkling than some had expected and the stock closed 7p lower at 277p yesterday.

Mr Trevor Finn, chief executive, said that although the overall new car market grew by 9 per cent in the first half, volume brands showed greater gains than the more expensive brands which comprise the majority of Pendragon's portfolio, and the registrations of some prestige marques, including BMW, Mercedes Benz and Porsche, actually fell.

He said that although Pendragon's new car unit sales increased, profit growth was due mainly to increased margins. New car sales generated £4.6m in gross profits compared with £3.8m in the 1992 period, despite a small loss in the group's two dealerships in Frankfurt.

Used car margins were at a similar level to the previous year, but profitability improved to £2.2m (£1.6m) as a result of an increase in volume.

Income from after sales operations increased again to £9.4m (£8.1m), mainly due to the contribution from recent acquisitions and greenfield developments. However, the contract hire operations showed little change over the year-ago period with their profit contribution unchanged at £900,000.

The group intends to use the £7m balance of of the rights issue proceeds to fund further expansion. In the meantime the funds have been temporarily used to pay manufacturers for deposits on new stock, thereby avoiding stocking loan interest but leaving the group with net borrowings of £4.73m.

● COMMENT

Pendragon is expected to continue the selective acquisition programme which has transformed its franchise portfolio over the past three years. It now has its first Rover franchise and wants to add both Ford and Vauxhall to the list. The second half bias in results will be further emphasised this year because the upturn in the luxury market has lagged the general improvement, and because of other factors including the launch of Mercedes' new small car next month. Overall however, full year pre-tax profits of about £7.25m are likely, producing earnings of 13.5p and a prospective p/e of about 20.5.

Beckenham warns on results

Beckenham Group, the restructured USM-traded heating and ventilation engineer, has announced a board shake-up and warns that the current year's results will again be disappointing.

The company said that Mr Peter Long becomes executive chairman while Mr Brian Newman (formerly managing director) and Mr Christopher Egleton (formerly chairman) are leaving the board.

Beckenham Ductwork, the group's largest subsidiary, formed as a result of last year's reorganisation, was still not performing satisfactorily. This was partly due to difficult trading conditions but also certain aspects of the reorganisation which are not producing the required benefits.

The directors said further changes were being made which should bring significant cost savings. Turnover at this subsidiary fell below budget in the third quarter and at the start of the fourth quarter but had now picked up.

The situation has adversely affected profitability and put a strain on cash resources. Certain shareholders are making available support of more than £2m with the intention that most will be converted into long-term capital.

Raw material costs limit growth at British Polythene

By Roland Rudd

RAW MATERIAL increases adversely affected British Polythene Industries, the acquisitive polythene film products maker, which reported slightly increased pre-tax profits up from £6.53m to £6.61m in the half year to June 30.

Operating profits slipped from from £7.81m to £7.77m on increased sales of £96.6m (£85.1m).

The group has bought three businesses since it raised £20.6m earlier this year in a rights issue, taking total acquisitions to 11 since its £15.5m rights issue in 1991.

However, Mr Cameron McLatchie, chairman and chief executive, expects the company's rate of acquisitions to slow down.

"Target companies are attracting higher prices than we believe are justified. We are not willing to pay the prices that people seem to be paying and will therefore wait until the market is more favourable."

Mr McLatchie said the three businesses purchased since March were operating profitably. The company is not planning to manufacture retail bags in a joint venture in China until next year.

Borrowings rose to £14m (£12.5m), mainly because of acquisitions, representing gearing of 18 per cent. Lower interest rates saw a decline in net interest payable to £698,000 (£771,000).

Fully diluted earnings per share fell to 12.29p (13.27p). The interim dividend is increased to 3.75p (3.5p).

Estates & Gen loss falls

ESTATES & General, the property investor and developer, reported a fall in pre-tax losses from £10.3m to £1.53m in the six months to June 30. The comparable figure was after an exceptional provision of £7.4m.

The company also announced it would shortly be entering negotiations for an extension to its banking facilities. In April it reached agreement for continuing support to December 31.

It is also continuing discussions with the Co-operative Bank, as the sole holder of £3.25m of unquoted cumulative convertible redeemable preference shares, concerning their maturity which became due on June 30.

Earlier in the year holders of the 11 per cent unsecured loan notes agreed to revised redemption terms and last week holders of the £21m first mortgage debenture stock accepted a relaxation of the capital covenant requirements.

Turnover increased to £6.01m (£4.41m) including property development income of £891,000 (£182,000). Losses per share were cut from 53.06p to 7.16p.

Billam rises to £271,000

Despite difficult trading conditions, reflecting weak home demand and sustained but fragile export growth, J Billam, the specialist engineer, raised pre-tax profits by 13 per cent from £239,000 to £271,000 for the first half of 1993.

Turnover increased 12 per cent to £3.46m, but with prices under pressure, growth in operating profits was restricted to 5 per cent at £286,000.

Earnings per share were up 15 per cent at 11.4p (9.9p) and an interim dividend up from 1.9p to 2.2p has been declared.

British Gas signs 20-year contract in the Caribbean

By Robert Corzine

BRITISH GAS has expanded its international activities by signing a 20-year contract to supply the National Gas Company of Trinidad and Tobago from its Dolphin field, off the east coast of the Caribbean islands.

Mr Howard Dalton, managing director for exploration and production, said "the agreement gives the go-ahead for the development of the field," which with probable reserves of 2,000bn cu ft is twice as big as the North Morecambe field off the west coast of the UK.

The company declined to put a value on the contract, which will require British Gas and Texaco, its 50/50 partner, to invest $300m (£195m). An offshore drilling and production platform will be built as well as a 42-mile subsea pipeline. The first gas is expected to flow in mid-1996.

British Gas took over the Dolphin field when it acquired much of Tenneco International's international oil and gas operations in 1988. It is also part of a consortium which is assessing the prospects of exporting liquefied natural gas from other offshore fields in the area.

The company, which is also active in Argentina and Canada, reported sharply higher profits from international gas supply in its interim figures last Thursday.

Etonbrook bid terms revised

VALID acceptances to the bid for Etonbrook Properties from Panther Securities and Multitrust have been received in respect of 1.93m ordinary shares. That represents 39.52 per cent of the voting rights and 50.46 per cent of issued capital.

Under City code rules the offer cannot become unconditional until the offer has been received in respect of more than 50 per cent of the voting rights.

The bidding companies, in which Mr Alex Perloff, a rebel shareholder in Etonbrook, has interests, considered it unlikely given the level of acceptance to date that the offer would become unconditional.

They said that in this event the offer would lapse and acceptors to the offer would remain shareholders in Etonbrook.

The bidders were conscious that this may not be the result acceptors would want and were therefore revising certain terms allowing accepting shareholders to withdraw their acceptances in order to sell their ordinary shares in the market through Southard Gilbey McNish & Co to realise a guaranteed minimum net price of 79p per share.

To enable accepting shareholders to take this course of action the closing date of the offer has been extended until September 24.

Gt Portland buys

Great Portland Estates has bought the Harvey Centre, Harlow, from British Rail Pension Trustees for £41.5m cash.

Addicted to a miniature world

Ian Hamilton Fazey peers at Lilliput Lane's marketing methods

AN unusual bus load of American holidaymakers has toured Britain this month, guided by an equally unusual travel courier.

The Americans were members of the Lilliput Lane Collectors' Club; their courier was one of the artists who sculpts the miniature model houses they collect.

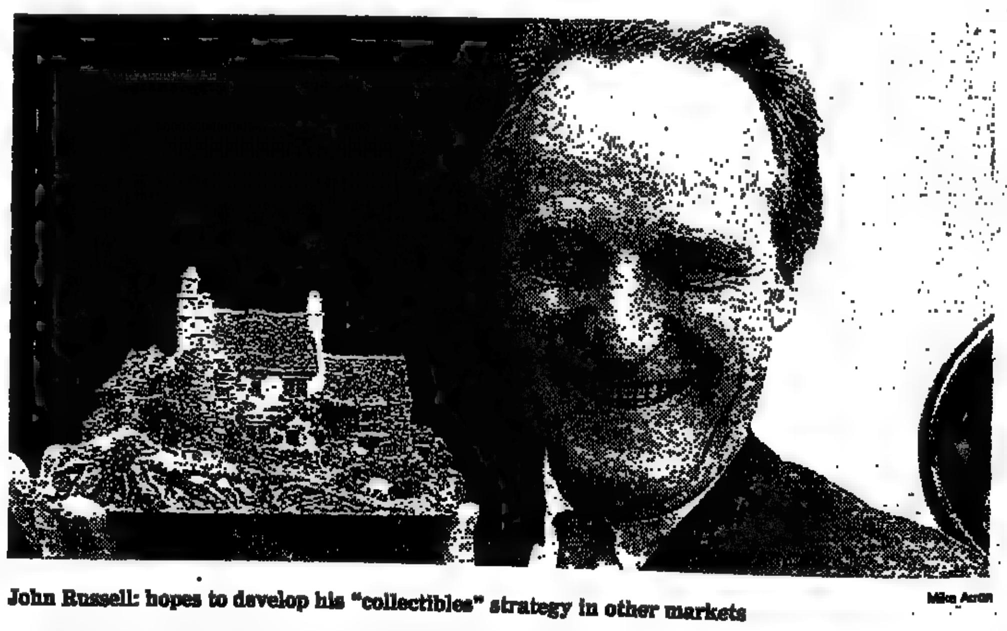
Their quest for the original buildings and settings on which the models are based was typical of the marketing strategy of the company.

Addiction is the key, says Mr John Russell, Lilliput Lane's chairman and chief executive. People become charmed and hooked - and start collecting: more than 10,000 people came to its Collectors' Club annual fair in North Yorkshire.

Small but deliberate shortages of models, which range from £7.95 to £450, feed the growing habit. Model retirements are announced six months ahead of time, creating a final surge in demand. Second-hand prices often rise after production ends. Only 66 models were made of Cliburn School, for example. They now change hands among US collectors for up to $8,000.

Cultivating collectors has helped bring the company from near-collapse three years ago to a planned stock market flotation in November.

Mr David Tate, an artist and the company's technical director, had the original idea for the models and worked out how to mass produce them with no loss of intricate detail in the moulding process.



John Russell: hopes to develop his "collectibles" strategy in other markets

Mike Aron

The company started near Penrith in Cumbria in 1982 making hand-painted plaster miniatures of quaint cottages and other attractive buildings. It ran into trouble, however, when it borrowed heavily in 1987 to diversify into gnomes, dragons, and fine china art objects.

It was turned round by a new management team under Mr Russell which stripped the company back to its original model business. Fresh finance came from Lazard Ventures, which had funded the diversification, and North of England Ventures.

Mr Russell, who had learned his management and marketing skills with Burton in the 1970s and Courtaulds in 1980s, introduced better financial and quality controls to achieve substantial productivity and profit improvements.

The business is labour intensive, with hand-painting each model being a critical cost. The 250 painters in the Penrith and Workington workshops can now can earn incentive payments for completing models to quality standards but ahead of target times.

Control of unit costs goes right back to the basic design, where new models are sculpted in wax for moulding. They are designed with both painting time and final price in mind: a vicarage now in the prototype stage, for example, will take 7.5 minutes to paint and will retail for about £14. A Welsh lodge will take 33.5 minutes and will cost nearly £50 in the shops.

With these and other disciplines in place, Lilliput Lane's sales have risen from £12.1m in the year ended September 1990 to £13.6m in the year ended January 1993.

The company has swung from a loss of £1.02m to a pre-tax profit of £2m.

Mr Russell hopes to develop his "collectibles" strategy in other markets after flotation frees him from having 60 per cent of Lilliput Lane's shares held by venture capitalists, although NEV will keep a 5 per cent holding.

COMPANY NEWS: UK

Forth Ports shares jump despite warning

By Peggy Hollinger

SHARES in Forth Ports jumped to a high of 365p yesterday, shrugging off the Scottish port operator's warning on second half trading to focus on better than expected interim operating profits of £5.66m against £5.05m last year.

The shares, which were floated on the stock exchange at 110p in March last year, fell back by the end of the day to close 23p higher at 357p.

Pre-tax profits for the six months to June 27 fell by £980,000 to £5.49m, reflecting the loss of interest gains following the early repayment of government loans. Earnings per share fell from 15.4p to 11.9p, largely due to the repayment.

Turnover was 5 per cent higher at £17.1m, while overall tonnage increased by more than 4 per cent to 11.4m tonnes.

Mr Hugh Thompson, Forth's chief executive, warned that the second half would not be as good as the first. In spite of overall increases in tonnage for products including animal feeds, cement and timber the markets served by some of Forth's main customers – most particularly British Pipe Coaters, which serves the North Sea oil sector – remained depressed.

However, he was more optimistic about 1994, citing the new BP terminal. Tonnage handled by the new terminal and the existing one would be more than three times the volume expected this year.

This bullish outlook left the group sufficiently confident to increase its dividend by 13 per cent to 2.25p.

The group's property joint venture had concluded the £47.5m sale of land and development to the government for the new Scottish Office. Mr Thompson said the payments would be made in stages until 1995.

Mr Thompson said Forth had "not wasted any money" in preliminary investigations into the acquisition of Medway Ports, which is now in takeover discussions with Mersey Docks Harbour Company. Forth was now interested in pursuing purchases of soon-to-be-privatised ports on the east coast of England.

British Bio losses deepen to £4.2m

By Clive Cookson, Science Editor

BRITISH Bio-technology Group showed pre-tax losses up from £2.9m to £4.2m before tax in the three months to July 31.

Mr Brian Richards, chairman, said that the loss – which led to a net cash outflow of £4.8m – was "well within budget."

It was due mainly to greater spending on research and development.

In July the company sold British Bio-technology Products, its research reagents business which had a first-quarter turnover of £1.7m, to concentrate on the "core pharmaceutical business". This had a turnover of only £467,000, since British Bio-technology's drugs are still in the R&D phase and not yet on the market.

The company said clinical trials of its first three products – BB-94 for cancer, p24-VLP for Aids, and BB-882 for pancreatitis and sepsis – are going well, with more than 200 patients now taking part.

BB-t expects to start clinical development of three more drugs within the next year. One is Stem Cell Protector to reduce the bone marrow toxicity of chemotherapy. The other two are aimed at treating cachexia (a wasting condition associated with advanced cancer) and acute heart disease.

Dewhirst advances to £3.51m at midway

By Catherine Milton

DEWHIRST Group, one of Marks and Spencer's main clothing suppliers, yesterday reported a rise in pre-tax profits from £2.38m to £3.51m in the six months to July 16.

"There are clear signs of increased activity on the high street. Operating costs are under tight control and the board expects progress to continue for the rest of the year," Mr Tim Dewhirst, chairman since February, said.

Sales rose to £95.4m (£81.3m). "Ladies wear continued to perform very well during the six months. In Mens wear, the volume increases which started to come through in the autumn have continued. Childrens wear remains a difficult area, with sales static and margins under pressure."

Increased demand, stimulated by Marks and Spencer's "outstanding value" campaign, had helped with productivity. The prices of three quarters of the high street retailer's clothing lines were held, and the remaining quarter reduced under the campaign which was launched last autumn.

"The campaign has been a great success for Marks and Spencer and for us, and it has helped us to produce these results. It's meant that we have seen volume increases in orders which has allowed us to plan the business more effectively and boost productivity."

But he warned: "The campaign is not just about holding prices and reducing prices. We still need to see the newness and innovation of product coming through. It's got to be updated all the time."

He added that the company was focusing efforts on improving operating margins, which were up at 3.76 per cent (3.31 per cent).

Net interest charges fell to £156,000 (£365,000) helped by lower rates. Net cash at the period end was £3.25m, compared with a net overdraft of £3m at same time last year.

The interim dividend is raised to 0.4p (0.32p), payable from earnings per share of 1.87p (1.28p).

Promoting retailing to new frontiers

Maggie Urry considers the background to the proposed flotation of Allders

ALLDERS, the department store and duty free retailer, is likely to have a market value of £150m when it floats on the stock market this autumn.

The group is expected to raise between £75m and £95m in new money, which will largely repay its debts of about £90m, net of cash.

Mr Harvey Lipsith, the chief executive, said the objective was to secure a more stable and sustainable financial structure and pave the way for future growth.

He said Allders was not being pushed to float by investors keen to sell. The timing was decided by a combination of factors, such as a significantly improved trading performance in 1993, against 1992, the group's view of the trading outlook and the current level of the stock market.

The float, announced yesterday, is expected to be timed after Allders' financial year end of September 30, so that an estimate of 1993 profits will be included in the prospectus. Schroders is sponsoring the issue.

Analysts at James Capel, the stockbroker handling the float, are forecasting an operating profit of £21.5m for the year, before one-off charges, which compares with £9.8m in 1992, when profits were hit by £3.7m of store opening costs.

Allders has been planning to float ever since it was formed by a leveraged buy-out from Hanson, the Anglo-American conglomerate, in 1989. Hanson had bought the business as part of its acquisition of UDS, the retail group, in 1983.

Mr Lipsith, already at Hanson when Allders was acquired, led the buy-out and shortly afterwards recruited Mr Tony Collyer, the finance director from Arthur Andersen, the accountants.

Four years of recession since the buy-out delayed the float, although it is still within the three-to-five year timetable originally envisaged.

The expected flotation value of £150m can be set against a price of £224m paid to Hanson. But the figures are not comparable, and original equity investors are expected to see a reasonable return on their money. Hanson has a 5 per cent stake.

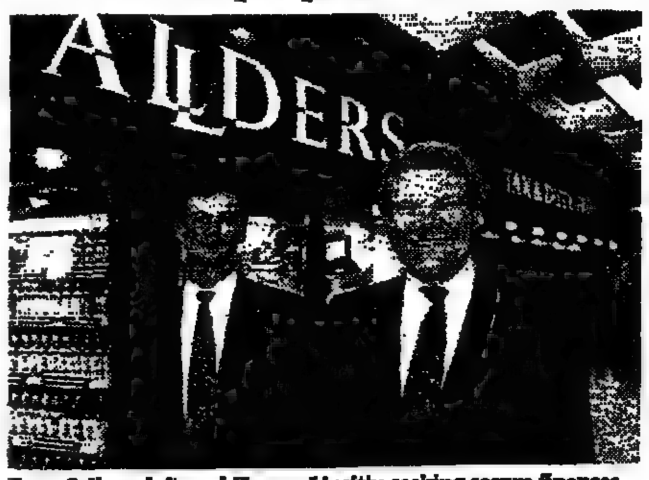
Part of the finance for the buy-out came from a £40m loan from Hanson, which was due to roll-up into a £80m repayment in 1994. Tough trading conditions and looming debt repayments led to a refinancing in 1991.

That allowed Allders to buy back the Hanson debt for £5m, delay repayments on other loans, and extract a further £10m of equity capital from investors who had originally put up £50m. More than £30m of bank debt has been repaid, and £50m invested in the business.

Recession may have affected trading and necessitated a refinancing, but it has not stopped Allders from developing the group.

The two sides to the business are run as distinct activities. They each contribute roughly half of turnover, and at the bottom line, the profit contribution is also about the same.

The department store operation is the fourth largest in the UK, but it is in a fragmented market. Two department stores were opened in 1992, taking the total to 12, but no further new stores are planned as the recession has finally brought to an end the surge of shopping mall developments which generally include a department store.



Tony Collyer, left, and Harvey Lipsith: seeking secure finances

However, Mr Lipsith is prepared to acquire some of the 200 or so small independent department store companies.

Allders has also opened six out-of-town stores under the name At Home With Allders, offering the household ranges, in the last two years. Despite the recession, these stores have performed well and more will be developed.

Allders' bias towards the south east of England, and its heavier dependence on household goods than fashion, were bad news in the recession. Investment in systems over recent years has improved productivity and efficiency.

Mr Lipsith scorns the notion that "department stores are the dinosaurs of retailing". He believes that Allders has greater scope to bounce back than other department stores.

If department stores are the stable part of the business, duty free has been more volatile.

Allders is the second largest duty free retailer in the world, after Duty Free Shoppers, a US company which largely trades in the Pacific region. It has 128 outlets, including shops on the QE2 liner, and airports from Melbourne to San Francisco to London.

These shops are usually run under short-term contracts regularly put up for retendering. They are also dependent on the number of air travellers, which can be suddenly depressed at times such as the Gulf War. However, air travel is predicted to grow rapidly in the longer term.

Allders' 1992 profits were depressed by the loss of one large contract, the shop at Sydney airport where it was outbid when the contract came up for renewal after 12 years. Allders claims a generally good track record in winning renewals.

A recent deal with BAA, which operates seven airports, including Heathrow and Gatwick, should bring greater certainty to the duty free profits. Allders' shops in BAA airports represent about half its duty free turnover and the agreement will give it security of tenure until 1999 while changing the method of payment to reduce Allders' risk, and increase its incentive to drive profits higher. It is also negotiating a 25 year lease on its important Toronto airport shops.

With the duty free business becoming less volatile, and prospects for recovery in the department stores, Allders can expect a warm reception when it comes to market.

Enlarged Nestor-BNA rises to £2m

By Catherine Milton

INTERIM pre-tax profits at Nestor-BNA rose from £1.1m to £2m, flattered by costs booked in the first half of last year relating to a near-20 per cent stake in a UK weight-loss joint venture.

Nutri/System UK was closed after the company's US partner suffered adverse publicity.

Total operating profits were static at £2.74m for the 24 weeks to June 18 on turnover up at £49.3m (£44.7m).

Mr Michael Rogers, chairman, said: "Our UK healthcare businesses are responding well to the changes in their markets."

However, he said the outlook for its large US health care business was "difficult to predict" because of uncertainty over reforms.

In the UK, new legislation "has given us opportunities to supply nurses and carers to the frail elderly in their own homes. From a standing start this now accounts for 4 per cent of our UK nursing agency business," Mr Rogers said.

In the nursing homes and hospitals division the company has been doing an increasing amount of work under contract to local authorities and health authorities.

The acquisition in March of BUPA Nursing Services helped lift revenue in the UK nursing agencies division to £24.5m (£20.6m) and operating profits to £862,000 (£571,000).

Mr Clive Chapman, finance director, said it was impossible to gauge the contribution of the acquisition for £400,000 cash and the assumption of £1.8m in debt.

The acquisition was paying its own interest charges, he added.

Net borrowings rose to £17.7m (£13.2m), leaving the company with gearing of 334 per cent (116 per cent) at the half way stage.

Shareholders funds fell to £5.3m compared with £7.4m at the start of the year, following the write-off of goodwill on BNSL.

A maintained 1.15p interim dividend is being paid out of earnings per share up at 1.93p (0.88p).

Second Alliance net assets up 28%

The Second Alliance Trust turned in a 28 per cent increase in net asset value for the year ended July 31, up from £12.79p to £16.4p.

The improvement largely occurred in the earlier part of the financial year and was triggered by the effect of the withdrawal of sterling from the ERM on the trust's overseas portfolio.

Net revenue improved to £7.66m (£7.17m) and earnings per share came out at 39.74p (37.22p). A final dividend of 26.5p (24.5p) makes a total for the year of 39p (36.5p).

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, September 13, 1993. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	2116.00	1371.4	851.509	1290.24
Albania	(Lek)	170.90	110.794	68.7726	104.207
Algeria	(Dinar)	30.15	19.5461	12.1327	18.3841
Andorra	(Fr Fr)	8.6525	5.6094	[illegible]	5.2759
	(Sp Peseta)	197.00	127.715	79.2756	120.122
Angola	(New Kwanza)	[illegible]	[illegible]	[illegible]	[illegible]
Antigua	(E Carr $)	4.1946	2.7192	1.6879	2.5576
Argentina	(Peso)	1.36575	1.0066	0.626	0.9485
Aruba	(Florin)	2.7610	1.8029	1.1191	1.6957
Australia	(Aus $)	2.3890	1.5487	0.9613	1.4567
Austria	(Schilling)	17.435	11.3419	[illegible]	10.6576
Azores	(Port Escudo)	[illegible]	[illegible]	101.811	164.266
Bahamas	(Bahama $)	1.5425	1	0.6207	0.9405
Bahrain	(Dinar)	0.5856	0.3796	0.2356	0.357
Balearic Is	(Sp Peseta)	197.00	127.715	79.2756	120.122
Bangladesh	(Taka)	60.9655	39.5367	24.5414	37.1862
Barbados	(Barb $)	3.1246	2.0256	1.2573	1.9051
Belgium	(Belg Fr)	52.75	34.1977	21.2273	32.1646
Belize	(B $)	3.1070	2.0142	1.2503	1.8945
Benin	(CFA Fr)	432.625	280.47	174.095	263.796
Bermuda	(Bermudian $)	1.5425	1	0.6207	0.9405
Bhutan	(Ngultrum)	48.6945	31.5686	[illegible]	29.6917
Bolivia	(Boliviano)	6.7190	4.2559	2.7038	4.0969
Botswana	(Pula)	3.8955	[illegible]	[illegible]	2.3753
Brazil	(Cruzeiro Real)	153.555	99.5494	61.7927	93.631

COUNTRY		£ STG
Gambia	(Dalasi)	14.4539
Germany	(D-Mark)	2.4850
Ghana	(Cedi)	1005.00
Gibraltar	(Gib £)	1.00
Greece	(Drachma)	366.675
Greenland	(Danish Krone)	10.20
Grenada	(E Carr $)	[illegible]
Guadeloupe	(Local Fr)	8.6525
Guam	(US $)	1.5425
Guatemala	(Quetzal)	9.0460
Guinea	(Fr)	1261.90
Guinea-Bissau	(Peso)	7767.50
Guyana	(Guyanese $)	195.75
Haiti	(Gourde)	18.6420
Honduras	(Lempira)	10.8125
Hong Kong	(HK $)	12.0270
Hungary	(Forint)	144.59
Iceland	(Icelandic Krona)	106.59
India	(Indian Rupee)	48.6945
Indonesia	(Rupiah)	3269.90
Iran	(Rial)	2442.00
Iraq	(Iraqi Dinar)	0.4830
Irish Rep	(Punt)	1.0850
Israel	(Shekel)	4.40
Italy	(Lira)	2370.75

[illegible]

Nervous selling sends gold price to 4½-month low

By Richard Mooney

THE GOLD market continued on its downward spiral yesterday taking the London bullion market price to its lowest level since mid-April.

Dealers attributed the $5.60 fall to $344.25 a troy ounce to technical pressure. They said the breach of a support level at $348 an ounce had unleashed a fresh wave of selling.

Some thought the market would soon be steadied by a return of physical demand, signs of which were discerned last week. But Ms Rhona O'Connell, analyst at T. Hoare and Compnay, said yesterday there appeared to be no follow-through to recent Far Eastern buying. She also noted that the bargain-hunting that lifted the price after the $12.60 plunge last Wednesday and Thursday had quickly dried up. On the other hand there was as yet no sign of "short" sellers trying to force the market lower, Ms O'Connel said. "The latest selling seems to have been liquidation."

She did not rule out yesterday's breach of the $345-an-ounce mark encouraging a test of support at $340, but suggested: "At prices below $350 gold represents good long term value".

"The physical market, so strong at the start of the year, naturally weakened as prices rose," Ms O'Connell explained in a market report issued at the end of last week. "There are early signs of revival, but as yet the upturn has little momentum."

Meanwhile: "The speed of downward spikes has been exacerbated by the triggering of stops [stop-loss selling orders] on the futures market, which has more than once left would-be sellers in the lurch as the market sailed away from them." This had left an overhang of potential investment fund sales, she said, "and the market is still nervous in the short term".

Looking further ahead, however, Ms O'Connell saw the prospect of an upturn in demand from jewellers in the "Christmas stocking season".

"Very few [jewellers] are hedged on the long side," she said. "There will be strong demand for bullion as the season starts."

Russian aluminium faces cost blow

By Kenneth Gooding, Mining Industry Correspondent, in Montreal

AN ENERGY price increase the Russian government is attempting to impose would drive the operating costs of the republic's aluminium smelters up to an average of $1,200 a tonne, well above the present international market price, Mr Horst Peters, general manager, technology marketing at VAW, the German group, said yesterday.

Already the domestic price for aluminium to Russia's consuming industries had risen to a level which was forcing some mills to consider importing metal from London Metal Exchange stocks, he said.

Under pressure from the International Monetary Fund, the Russian government was trying to lift energy costs to the world level in stages. Mr Peters said the government was unlikely to make the aluminium smelters pay all the latest price increase.

The two big Siberian smelters, Bratsk and Irkutz, had already refused to accept the increase on the grounds that their power plant was dedicated to supplying them and was too far away from any other potential customers.

However, he suggested at Metal Bulletin magazine's annual aluminium conference, that there would be some energy price increase, if not as large as the government contemplated. Those smelters that could not cover their costs would quickly have to close because they would not be able to pay for raw materials.

Mr Peters' comments highlighted the complex background to the dispute between the European Commission and the aluminium producers in the CIS that resulted in restrictions being imposed on CIS aluminium imports into the EC until the end of November.

Negotiations have re-started after the European holiday season and in talks last week the commission representatives made it clear that the EC was offering help to modernise the CIS industry and to revitalise domestic aluminium demand in the CIS in return for export restraint.

According to Mr Peters, aluminium consumption in Russia dropped between 1988 and 1992 from 2.6m tonnes a year to 1.8m tonnes.

Coffee price upsurge boils over

By Alison Maitland

THE LONDON robusta coffee market rode a roller-coaster yesterday, hitting a 2½-year high on news that Brazil had arranged financing for its stocks under the producers' retention scheme, and then plummeting to close lower in a wave of profit-taking.

The November robusta futures contract peaked at $1,325 a tonne in early trading, the highest level since the dollar contract began trading in March 1991 and a rise of nearly 100 per cent since its low of $670 in the summer of 1992.

It was a direct response to the sharp rise in arabica futures prices in New York on Friday, which followed news that the Brazilian government would buy the coffee that its producers have to withhold from the market from next month.

Brazil is the world's largest coffee producer, and the move helped underpin the growing credibility of the scheme, which now embraces Latin American, African and Indonesian producers in a joint effort to raise prices.

However, no fresh news emerged during the day and profit-takers moved in, sending the price to a close of $1,264 a tonne, $32 down on the day. New York failed to build on its gains of Friday, with the December contract at $81.85 cents a lb, down $1.30, in late trading.

"The speed with which London turned tail and ran was a bit of a surprise," said one trader.

"They all tried to take profits at the same time and there was a bit of a scramble."

Lean times for EC pig farmers

Most producers are losing at least £7 on every bacon pig they rear

FARMER'S VIEWPOINT

By David Richardson

PIGS, SAY traditionalists, were always copper or gold. At present, they are hardly copper. I do not know the metallic equivalent of a deficit, but that is what most of us in the pig production business are currently experiencing.

To produce, say, a bacon pig these days, costs the equivalent of 105p to 110p a kilogram, deadweight, depending on efficiency of production. Last week, the UK average all pigs price, calculated by the Meat and Livestock Commission on the basis of weighted averages of a range of markets, fell to 96.61p a kilogram, so most pig farmers are be losing about 10p a kilogram, or at least £7 for every 70kg bacon pig they produce.

Within the next few days, the MLC will publish its forecast of the supply, demand and price for pig meat for the next six months. It is already clear that this is likely to be a gloomy document; and the commission will need to explain why its previous forecast, in June, which suggested the AAPP would stay above 100p a kilogram through the autumn, turned out to be too optimistic.

One reason may be that there are more pigs in the production pipeline than it expected. A recent Scottish survey showed that total pig numbers north of the border had risen between June 1992 and June 1993 by 4.9 per cent. Even more significantly there was an increase in the Scottish pig breeding herd of 11.7 per cent. If this is a guide for the rest of the UK, and given that it takes up to 10 months for a pig to be conceived, reared and slaughtered, the problem of over-supply and therefore low prices could continue for some time.

Pig farmers' difficulties will be made worse, moreover, by feed costs, which have not fallen as much as they usually do in the post-harvest period and are set to begin to rise again as early as October. Feed represents 75 to 80 per cent of the total cost of producing a bacon pig.

So prospects for coming months are not at all rosy and it is difficult to see what could change that prediction. The lamb market, which boomed through the summer and on the back of which the AAPP peaked at 117.76p per kg in June, has now slumped. Supplies of pigs in most European Community countries are also up on last year. Only the traditional Christmas trade for roasting joints and hams, for which the meat trade will shortly be stocking-up, provides a faint glimmer of hope.

But it is unlikely to restore the AAPP to profitable levels before Christmas, and after the New Year there is, in any case, usually a seasonal decline in the demand for and prices of pig meat.

Once again, therefore, virtually unsupported EC pig farmers must bear the brunt of free market pressures until enough of them cut or get out of production. Those of us who stick it out could well be losing money on every pig we sell for many months to come.

But not all pig producers are so unfortunate. One slaughterhouse and bacon factory has introduced a contract to purchase pigs which evens out the peaks and troughs of the open market and creates some stability. This is the Malton Bacon Factory in north Yorkshire, which, according to its management, has a culture committed to pig farmers.

It must, presumably, also be committed to its parent company, Unigate, which has provided the capital for the factory to expand from killing 6,000 pigs a week eight years ago to over 30,000. This has made it the biggest bacon and processed pig meat business in Britain and one of the top half dozen in Europe. The 1.5m pigs slaughtered at the factory each year represents about 12 per cent of the total UK kill.

The contract Malton has with its pig suppliers requires them to answer questions about the breeding of the pigs they produce, the housing provided for them, the welfare standards observed, the feed used, together with its ingredients, and so on.

Pig farmers must also assure the factory that they are observing government and EC regulations on such matters. And to monitor production methods independently they are encouraged to join the Ministry of Agriculture's pig health scheme.

In return for disclosing these details, which do not of themselves amount to quality assurance but could clearly be tightened and modified in the future to become just that, pig producers are offered contracts that can give them a sizeable premium over the AAPP. To qualify for this, pig carcasses must, of course, also have the required quality and leanness. But that is a requirement of all pig slaughterers these days.

Last week, for instance, when the AAPP was 97.87p a kilogram, Malton was paying 110p per kg for top grade carcasses. For lowest grade pigs, the factory paid only 87p a kilogram last week, amounting to a penalty on producers who failed to provide the quality required.

When pig prices rise, as they surely will again one day, Malton skims some of the benefit to help pay for the premium during periods of low price. But most producers are happy with that. They much prefer stability and predictability.

Malton Bacon Factory also appears to have got the right approach to retailers. It regularly supplies the supermarkets of Tesco, Safeway, Asda, Iceland, Gateway and William Lowe, all of which are concerned to reassure consumers of the quality standards and the safety of the food they supply.

Sales by the company now total some £250m a year, of which £40m comes from exports. Malton is even exporting pig products to Denmark.

There can be little doubt that this kind of combination of quality assurance for consumers, efficiency of production and processing and concern for suppliers, is what is needed to help cut the UK's food trade gap, now running at about £6bn a year. Sadly, there are too few such companies bridging the gaps between farmers, the retail trade and the consuming public.

Financial problems take the bloom off a Colombian success story

Effective reversal of the country's devaluation policy is eroding profit margins for the flower industry, writes Sarita Kendall

THE DAZZLING displays of roses, carnations and chrysanthemums at Colombia's recent flower fair brought approval from foreign buyers and so did Colombia's success in adapting to an extremely competitive market.

Second only to Holland in flower exports, Colombia has increased sales steadily over the past 20 years, earning more than US$320m in 1992. However, growers are glum about an effective reversal in devaluation, which is eroding profit margins.

"In the past Colombia wasn't market driven. Now the industry is maturing," said Mr Rex Thompson of CCI farms, the US company that handles sales for one of Colombia's biggest growers. "Our own trend is to have a much wider range of products – calla lilies, Queen Anne's lace and limonium, for example. These were not traditionally produced here."

Carnations and roses are still the mainstays, with 37 per cent and 24 per cent of exports. But Colombian companies produce about 40 different types of flowers. Its geographical position at the crossroads of Central and South America, with habitats ranging from lowland rainforest to misty Andean woodland, puts Colombia high in the world league of floral diversity.

Most of the flower plantations are about 2,500 metres up on the green plains outside Bogotá. Temperatures and the number of daylight hours fluctuate very little, and there is only the occasional frost. Expensively heated greenhouses are not necessary – flowers can be produced all through the year under cheap plastic tenting.

"We have 4,200 hectares of flowers now and I think exports will grow by 8 to 10 per cent this year," said Juana Maria Unda, president of the flower exporters association, Asocolflores. "But the overall area is not expanding because of the economic situation. Eight companies have gone under – they're only small ones but it's the first time this has happened, it shows the effect of the revaluation of the peso in the last two years."

The combination of revaluation (the devaluation rate is nearly ten points below inflation) and greater competition from other countries is forcing growers to look into their costs very carefully. Production is becoming more intensive, with less space for paths and careful control of labour. According to one medium-scale grower with 20 hectares, "the margin is so small that you must export greater volumes to get your income. We are trying new varieties of carnation – but this year it's a question of just hanging on."

The flower plantations employ 75,000 people, mainly women who live in rural areas and towns near Bogotá. The heavy use of pesticides – required if flowers are to meet most import standards – has caused health and environmental problems. Growers are responding with stricter controls on pesticide management and on the disposal of contaminated debris. They also sponsor family welfare programmes, housing improvements and environmental projects.

Women employed on the plantations say that standards vary widely from company to company: "Some have practically no security measures and even let people take the waste to feed their animals. Then another company fired somebody because she had a sweet in her overall pocket, and that was against security regulations," explained one worker.

"Nobody realised the flowers would use so much water. The spring where our water came from is dry and buildings are cracking because there's no water left in the earth," she added.

Agrochemicals were very much in evidence at the fair – but so was protective clothing. Airlines were also well represented. The increase in the number and destinations of flights has been a boon to exporters who want to open up European sales and send direct to US cities other than Miami. British Airways flies over 20 tonnes of flowers a week to Britain, which has become one of Colombia's biggest carnation markets. Three quarters of all flower exports (about 80,000 tonnes) go to the US.

"The mass market is growing, there's been a lot of promotion. It's high quality and very professional," said Mr Thompson.

"Growers are opening up their own American offices for marketing." The Colombian Flower Council, created by Asocolflores and the US importers, is trying to boost flower consumption in the US all the year round.

But production still has to be geared primarily to certain dates, especially St Valentine's Day and Mothers' Day.

Although Ecuador, Mexico and other Latin American producers are expanding, Colombia has far more sophisticated infrastructure and the best agronomists. At the same time, exporters have woken up to the need for more diversified products and markets. Looking around the multicoloured stands at the Bogota' fair, a Dutch carnation specialist noted that all the main international carnation and rose breeders were present – a good sign for Colombia's prospects.

WORLD COMMODITIES PRICES

MARKET REPORT

London Metal Exchange COPPER prices edged away from their lows during late trading and ended slightly higher. The imposition of a $5 a tonne limit on the daily backwardation has defused much of the tightness and the premium to borrow cash for one day was erased, with a 40 cent discount in place at the close. TIN slid to new 20-year lows in sympathy with the Far Eastern markets, but edged up slightly to close at $4,545 a tonne, still down $62.50 on the day, in the three months position. The NICKEL market paid little attention to mid-afternoon news Inco had reached a tentative agreement with unions at its Thompson, Manitoba, operation. The three months delivery price closed at $4,555 a tonne, down $65. At the London Commodity Exchange COCOA futures edged higher in very sedate fashion. The near December position closed at £867 a tonne, up £11 on the day. "I think the market is also [like coffee – see story above] running out of steam at the moment but again in the long-term prices look set to really push higher towards £1,000," one trader said.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Oct)		+ or -
Dubai	$13.84-3.94u	+0.145
Brent Blend (dated)	$15.37-5.40	+0.05
Brent Blend (Oct)	$15.72-5.75	+0.05
W.T.I (1 pm est)	$16.82-6.84u	+0.09

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$189-191	
Gas Oil	$163-164	+3
Heavy Fuel Oil	$61-62	-0.05
Naphtha	$146-148	-1
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	[illegible]	-6.6
Silver (per troy oz)♣	399.50c	-12.5
Platinum (per troy oz)	$352.75	-5.5
Palladium (per troy oz)	$117.25	[illegible]
Copper (US Producer)	90.00c	
Lead (US Producer)	33.50c	
Tin (Kuala Lumpur market)	11.30m	-0.24
Tin (New York)	214.0c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	N/A	
Sheep (live weight)†♣	N/A	
Pigs (live weight)†	N/A	
London daily sugar (raw)	$248.6	+8.1
London daily sugar (white)	$269.0	[illegible]
Tate and Lyle export price	£270.5	[illegible]
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£172.0	
Wheat (US Dark Northern)	£165.0u	-1.5
Rubber (Oct)♥	59.50p	-0.5
Rubber (Nov)♥	59.75p	-0.5
Rubber (KL RSS No 1 Jul)	215.5p	+1
Coconut oil (Philippines)§	$430.0v	+2.5
Palm Oil (Malaysian)§	$360.0u	
Copra (Philippines)§	$290.0	
Soyabeans (US)	£163.0	-5
Cotton "A" Index	55.55c	[illegible]
Wooltops (64s Super)	[illegible]	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. v-Sep/Oct u-Oct t-Oct/Dec x-Aug/Sep ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices * change from a week ago, provisional prices.

SUGAR - LCE			($ per tonne)	
White	Close	Previous	High/Low	
Oct	278.60	273.50	278.80	273.00
Dec	272.90	270.20	272.60	270.20
Mar	274.60	272.00	275.00	272.50
May	277.90	275.20	277.50	276.50
Aug	282.40		282.70	282.00

White 2095 (1390) Paris- White (FFr per tonne): Oct 1556.67 Dec 1531.94

CRUDE OIL - IPE			$/barrel	
	Latest	Previous	High/Low	
Oct	15.76	15.71	15.87	15.61
Nov	16.08	16.00	16.17	15.88
Dec	16.25	[illegible]	16.37	16.10
Jan	16.50	16.37	16.56	16.32
Feb	16.69	16.55	16.73	16.65
Mar	16.85	16.68	16.91	16.84
Apr	17.02	16.88	17.02	17.01
May	17.16	17.00	17.16	17.12
Jun	17.25	17.16	17.33	17.22
IPE Index	15.78	16.07		

Turnover 36006 (67875)

GAS OIL - IPE			$/tonne	
	Close	Previous	High/Low	
Oct	159.25	156.50	159.75	157.25
Nov	161.25	158.00	161.50	158.50
Dec	163.00	160.25	163.50	160.75
Jan	165.00	162.50	165.00	162.75
Mar	163.50	161.25	163.50	163.50
Apr	162.00	159.75	162.00	161.25
May	160.50		160.50	
Jun	159.50	158.00		

Turnover 12966 (20987) lots of 100 tonnes

TEA

The Tea broker's Association reports, Landed good demand. Quality Assams sold well at firm to dearer rates but others were irregular with plainer North Indians often easier. Bright and coloury medium East Africans were well supported and prices tended higher. Plainer types remained firm. Ceylons met good competition but prices were often 2 to 4p easier. Offshore good demand at firm rates. Quotations: quality 200p/kg nom, good medium 128p/kg, medium 112p/kg, low medium 93p/kg the highest price realised this week was 253p for an Assam

COCOA - LCE			£/tonne	
	Close	Previous	High/Low	
Sep	840	825	825	817
Dec	867	856	867	850
Mar	890	880	[illegible]	874
May	898	891	900	885
Jul	909	899	[illegible]	887
Sep	921	911	921	910
Dec	934	925	934	921
Mar	946	938	946	941
May	958	946	957	952

Turnover:5005 (8470) lots of 10 tonnes

ICCO indicator prices (SDRs per tonne). Daily price for Sep 10 889.48 (892.19) 10 day average for Sep 13 [illegible] ([illegible])

COFFEE - LCE			$/tonne	
	Close	Previous	High/Low	
Sep	1351	1372	1400	1348
Nov	1264	1296	1325	1260
Jan	1245	1276	1303	1245
Mar	1247	1266	[illegible]	1244
May	1247	1263	1288	1277
Jul	1235	1260	1260	

Turnover: [illegible] ([illegible]) lots of 5 tonnes

ICO indicator prices (US cents per pound) for Sep 10 Comp. daily 73.78 (73.32) 15 day average 70.59 (70.16)

POTATOES - LCE			£/tonne	
	Close	Previous	High/Low	
Apr	84.3	81.8	84.5	[illegible]
May	97.3	94.5	96.0	

Turnover 70 (49) lots of 20 tonnes.

FREIGHT - LCE			$10/index point	
	Close	Previous	High/Low	
Sep	1458	1448	1465	1445
Oct	1506	1495	1510	1495
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Jan	1511	1497	1515	1495
Apr	1530	1529	1535	1530
BFI	1415	1412		

Turnover 269 (108)

GRAINS - LCE			£/tonne	
Wheat	Close	Previous	High/Low	
Nov	102.00	[illegible]	102.50	102.00
Jan	104.20	104.20	104.45	104.10
Mar	106.25	106.25	[illegible]	[illegible]
May	108.45	[illegible]	108.60	108.45
Jun	109.50		109.65	109.50
Barley	Close	Previous	High/Low	
Sep	100.30	100.65	-	
Nov	[illegible]	102.50	-	

Turnover: Wheat167 (268) Barley 34 (33).
Turnover lots of 100 Tonnes.

LONDON METAL EXCHANGE					(Prices supplied by Amalgamated Metal Trading)	
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover [illegible] lots	
Cash	1112.5-13	1120-1	1117/1115.5	1115.5-16		
3 months	[illegible]	1140-1	1142/1132	1136.5-37	1134-34.5	251,799 lots
Copper, Grade A ($ per tonne)					Total daily turnover 139,525lots	
Cash	1930-32	1932-3	1953/1930	1950-50.5		
3 months	[illegible]	[illegible]	1915/1895	1900-01	1859-60	183,516 lots
Lead ($ per tonne)					Total daily turnover 7,299 lots	
Cash	379-79.5	384-5	377.5/377	377-77.5		
3 months	393-93.5	398-8.5	395/391.5	392.5-93	391.5-92	23,750 lots
Nickel ($ per tonne)					Total daily turnover 13,287lots	
Cash	4500-10	4570-5		4493-95		
3 months	4550-60	4615-25	4595/4540	4540-41	4549-51	46,759 lots
Tin ($ per tonne)					Total daily turnover 5,833 lots	
Cash	4490-500	4555-65		4475-80		
3 months	4540-50	4605-10	4570/4520	4527-28	4550-55	10,759 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 24,929 lots	
Cash	869-70	875-6	887.5	887.5-88		
3 months	886-86.5	891.50-92	887/882	884-885	885-86	78,348 lots

LME Closing £/$ rate:
SPOT: 1.5430 3 months: 1.5359 6 months: 1.5247 9 months: 1.5179

Copper and lead prices are now expressed in dollars per tonne

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	344.00-344.50	
Opening	349.10-349.50	
Morning fix	348.25	224.605
Afternoon fix	344.20	221.776
Day's high	349.00-349.40	
Day's low	343.25-343.75	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.68	6 months	2.56
2 months	2.64	12 months	2.56
3 months	2.61		

Silver fix	p/troy oz	US cts equiv
Spot	261.35	406.40
3 months	265.05	409.40
6 months	269.45	412.55
12 months	275.85	419.50

GOLD COINS

	$ price	£ equivalent
Krugerrand	349.00-352.00	225.00-227.00
Maple leaf	353.60-355.90	
New Sovereign	82.50-85.50	53.00-55.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Oct	Jan	Oct	Jan
1100	28	58	7	17
1125	[illegible]	43	17	28
1150	[illegible]	30	34	38
Copper (Grade A)	Calls		Puts	
1900	34	65	33	76
[illegible]	15	46	64	[illegible]
2000	5	30	104	139
Coffee LCE	Nov	Jan	Nov	Jan
1200	107	217	43	71
[illegible]	79	179	[illegible]	98
1300	57	145	[illegible]	127
Cocoa LCE	Dec	Mar	Dec	Mar
775	[illegible]	139	11	24
800	83	121	16	31
825	66	104	24	39
Brent Crude	Oct	Nov	Oct	Nov
1650		26		76
1700		17		112
1750				115

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Sep	342.7	350.2	343.0	343.0
Oct	343.1	[illegible]	347.5	341.4
Nov	343.9	351.5	0	0
Dec	344.8	352.4	349.6	343.0
Feb	346.5	354.1	351.0	344.5
Apr	348.1	355.7	352.3	348.6
Jun	349.7	357.3	353.6	348.7
Aug	351.3	358.9	350.0	350.0
Oct	352.9	360.5	0	0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Oct	352.6	[illegible]	353.5	350.0
Jan	354.5	357.3	355.5	351.5
Apr	356.0	358.8	355.0	353.0
Jul	357.0	359.8	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Sep	390.5	406.5	404.0	395.0
Oct	391.7	407.7	0	0
Nov	393.6	410.0	0	0
Dec	393.8	410.0	409.5	393.0
Jan	394.1	410.3	0	0
Mar	397.7	414.0	[illegible]	397.0
May	400.4	416.8	413.0	397.0
Jul	402.9	419.4	418.0	409.5
Sep	405.4	422.0	0	0
Dec	409.6	426.3	424.0	410.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Sep	82.70	82.75	82.80	82.40
Oct	[illegible]	82.85	82.80	82.55
Nov	82.80	82.90	82.80	82.50
Dec	82.90	83.00	83.10	82.45
Jan	83.10	83.20	0	0
Feb	83.30	83.40	0	0
Mar	83.55	83.60	83.70	83.30
Apr	83.80	83.80	0	0
May	84.05	84.00	84.00	84.00
Jun	84.20	84.15	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Oct	16.84	16.76	17.02	16.68
Nov	17.20	17.12	[illegible]	17.11
Dec	17.54	[illegible]	17.68	17.44
Jan	17.80	17.69	[illegible]	17.67
Feb	17.97	17.90	18.10	17.95
Mar	18.18	18.08	18.27	18.09
Apr	[illegible]	18.23	18.44	18.28
May	18.50	18.37	18.57	18.37
Jun	18.60	18.48	[illegible]	18.50
Jul	18.71	18.59	18.78	18.68

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Oct	51.30	51.35	51.85	50.90
Nov	52.30	52.29	52.85	52.00
Dec	53.05	53.22	53.65	52.85
Jan	53.80	53.98	54.25	53.70
Feb	54.15	54.30	54.60	54.15
Mar	53.75	53.70	54.15	53.70
Apr	53.00	52.85	53.20	52.75
May	52.45	52.10	52.45	52.45
Jun	51.95	51.70	52.00	51.70
Jul	52.15	51.95	[illegible]	[illegible]

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Sep	1113	1090	1097	[illegible]
Dec	1174	1151	[illegible]	1143
Mar	1226	1201	1225	[illegible]
May	1245	1225	1249	1220
Jul	[illegible]	1245	1275	[illegible]
Sep	[illegible]	1266	1283	1268
Dec	1314	1289	1288	1288
Mar	1340	1316	1320	1320
May	1360	1335	1360	1333

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Sep	78.70	80.00	80.50	78.55
Dec	81.55	83.15	83.80	81.05
Mar	83.35	85.30	85.30	83.20
May	85.00	86.50	86.10	84.70
Jul	86.00	87.75	88.50	86.00
Sep	87.30	88.75	87.25	87.25
Dec	90.50	[illegible]	90.00	90.00

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	9.83	9.39	9.85	9.41
Mar	10.06	9.85	10.07	9.86
May	10.13	9.95	10.14	9.95
Jul	10.21	10.03	10.20	10.05
Oct	10.25	10.05	10.25	10.09

COTTON 50,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	57.75	57.82	58.00	57.35
Dec	59.30	59.34	59.75	58.90
Mar	60.75	60.92	61.12	60.40
May	61.50	61.55	61.75	61.10
Jul	62.20	62.28	62.35	61.90
Oct	62.30	62.74	0	0
Dec	62.29	62.88	62.50	62.10

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Sep	117.15	116.35	117.25	115.90
Nov	119.35	118.85	119.50	117.60
Jan	[illegible]	120.70	121.60	119.80
Mar	123.00	121.85	122.75	121.35
May	124.00	122.55	123.00	122.10
Jul	125.00	121.50	123.05	123.05
Sep	125.50	122.75	[illegible]	125.50
Nov	124.00	122.75	[illegible]	124.00
Jan	124.00	122.75	124.00	124.00

INDICES

REUTERS (Base:September 18 1931 = 100)			
Sep.11	Sep 10	mnth ago	yr ago
[illegible]	1634.8	1624.1	1528.6

DOW JONES (Base: Dec. 31 1974 = 100)				
	Sep 10	Sep 9	mnth ago	yr ago
Spot	121.56	122.44	123.09	118.03
Futures	127.09	127.10	124.65	114.46

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Sep	638/4	623/6	641/0	632/0
Nov	633/4	620/2	636/0	628/0
Jan	638/6	625/4	642/4	632/4
Mar	643/0	631/0	647/4	637/0
May	645/4	633/2	648/4	639/0
Jul	647/4	634/2	652/0	642/4
Aug	645/0	633/0	647/0	639/4
Sep	626/0	617/0	629/4	625/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Sep	23.00	22.74	[illegible]	22.83
Oct	23.01	22.68	23.18	22.77
Dec	[illegible]	22.88	23.35	[illegible]
Jan	23.24	22.94	23.40	23.06
Mar	[illegible]	23.03	[illegible]	23.12
May	23.30	23.05	[illegible]	23.21
Jul	23.25	23.02	23.39	23.18
Aug	[illegible]	22.90	23.20	23.15

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Sep	[illegible]	198.1	201.0	199.0
Oct	198.1	195.0	200.0	198.0
Dec	[illegible]	194.3	198.5	196.8
Jan	198.1	194.6	[illegible]	197.1
Mar	199.6	196.1	200.2	198.5
May	200.7	196.6	201.4	199.8
Jul	202.6	[illegible]	203.0	200.5
Aug	202.1	198.0	202.1	200.5

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Sep	230/4	226/2	230/6	227/6
Dec	238/6	235/0	239/0	236/0
Mar	246/6	243/2	247/0	244/0
May	251/6	248/4	252/0	249/2
Jul	254/4	251/4	255/0	252/2
Sep	250/0	248/0	250/0	249/0
Dec	247/2	245/2	247/4	245/2

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Sep	296/2	295/4	298/4	294/0
Dec	308/0	306/0	308/6	304/0
Mar	311/6	311/2	314/0	309/0
May	310/2	309/0	311/0	307/2
Jul	302/2	301/4	303/4	299/6
Sep	306/4	305/4	306/4	305/6
Dec	316/4	315/0	318/4	315/0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	75.200	75.550	75.700	75.100
Dec	75.625	[illegible]	76.000	75.475
Feb	76.225	76.250	76.500	76.100
Apr	76.725	76.800	76.850	76.600
Jun	73.200	[illegible]	73.475	73.150
Aug	72.050	72.250	72.375	72.050
Oct	72.825	72.775	72.850	72.825

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Oct	49.825	48.875	[illegible]	48.650
Dec	49.050	48.250	49.250	47.925
Feb	[illegible]	[illegible]	47.700	46.700
Apr	45.625	45.150	45.800	44.925
Jun	50.025	[illegible]	50.025	49.450
Jul	48.950	48.550	49.050	48.900
Aug	47.700	47.350	47.700	47.500
Oct	44.000	43.925	44.150	44.000

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	51.300	[illegible]	51.950	50.200
Mar	50.650	50.675	51.300	49.700
May	52.050	51.900	[illegible]	50.500
Jul	51.500	52.200	[illegible]	51.300
Aug	52.425	52.425	0	51.000

Share prices hit by renewed selling

By Terry Byland, UK Stock Market Editor

A LONDON stock market looking increasingly unhappy with the peak levels achieved at the end of last month continued to focus on its own worries yesterday, paying no heed to firmness on other European bourses or to the signing in Washington of the Middle East peace settlement. UK equities appeared nervous regarding prospects for Friday's expiry in the stock index sector.

An attempt to respond positively to Wall Street's sharp rise on Friday night was tripped up by a heavy trading programme in equities – reportedly worth around £600m – which was believed to be the first of a likely series of manoeuverings by securities firms ahead of Friday's expiry of the September dated futures contract on the FT-SE Index.

The UK equity market rose by nearly 8 per cent over the three month period of the September contract to reach its trading peak of 3,115, with the leading trading firms often arbitraging between futures and underlying equities. Shares have now fallen by about 3 per cent from that peak, leaving some large trading positions open ahead of Friday's expiry. The futures expiry has in the past produced erratic price movements.

Early optimism in equities was also undermined by renewed falls in the pharmaceutical stocks following reports that drafts of President Clinton's healthcare reform plans imply a halving of projected growth in US medical spending in this decade.

Heavy falls in Glaxo and the other drug industry stocks were quickly joined by wider ranging losses as the two way trading programme got under way. It was believed that the programme originated with S.G. Warburg, the London-based investment house which is known to be cautious on the market outlook, with a year-end Footsie prediction still held at 3,900 despite the market's advance over the past month.

At worst, the FT-SE Index dipped by 19.3 to 3,017.7 yesterday but a rally then set in, encouraged when Wall Street came in on the bull tack again, adding 12.58 Dow points in UK hours.

The final reading showed the FT-SE Index at 3,024.8 for a net loss on the day of 12.2 points. Traders said that the late rally reflected technical buying from professional dealers seeking stock to meet earlier selling commitments, rather than any significant buying pressure.

The FT-SE Mid 250 Index, down 4.8 at 3,471.5, followed the direction of the blue chips.

The stock market made no response to statistics on domestic producer prices, showing little change, but was poised for futher important economic data this week; tomorrow will bring the August Retail Price Index, and Thursday the latest wages and unemployment figures.

The corporate results flow was also slower yesterday, although Inchcape fell sharply after an interim statement which revived stock market concern over the trend of the company reporting season now unrolling.

Retail, or genuine customer business in UK equities, which has remained high as the market has turned back from its peak, totalled £1.37bn on Friday. Seaq-reported volume fell from 596m shares on Friday to 585.3m shares yesterday, with non-Footsie business increasing its contibution to about 67 per cent of the total.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ASDA Group†	1,800	60	-2
Abbey National†	1,800	401	-1
Albert Fisher	282	73	
Allied-Lyons†	1,100	580	-2
Anglian Water†	733	543	+3
Argos	76	349	-1
Argyll Group†	6,500	307	-10
Arjo Wiggins†	770	215	+4
Assoc. Brit. Foods†	156	505	+1
Ass. Brit. Ports	621	470	-9
BAA†	1,000	818	-4
BAT Inds.†	3,100	458½	+5½
BET	2,700	134½	-½
BICC	282	465	
BOC†	888	842	-5
BP†	2,800	301	+1½
BPB Inds	8,000	252	+2
BT†	5,700	420	+½
BT (Ptl Pd)	2,300	179½	
BTR†	2,300	383½	+2½
Bank of Scotland†	1,700	197	-2½
Barclays†	3,400	505	-5
Bass†	2,100	482	-2
Blue Circle†	3,200	282	+1
Booker	347	425	-3
Boots†	885	486	-5
Bowater†	378	474	-4
Brit. Aerospace†	1,600	428	+1
British Airways†	3,100	388	-3
British Gas†	5,400	330½	
British Land	853	404	+4
British Steel†	11,000	108½	-1½
Bund	1,800	144	-1
Burmah Castrol†	188	774	-1
Burton	2,500	75	-1
Cable & Wire.†	735	888	-1
Cadbury Schweppes†	1,800	470	+8
Calor Group	342	385	-1
Carlton Comms.†	281	745	-2
Coats Viyella†	2,000	259	+1½
Comm. Union†	402	612	-8
Cookson	1,000	285	-5
Courtaulds†	2,800	518	-6
[illegible]			

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates		
*First Dealings:		
Sep 6	Sep 20	Oct 4
Option Declarations:		
Sep 16	Sep 30	Oct 14
Last Dealings:		
Sep 17	Oct 1	Oct 15
Account Day:		
Sep 27	Oct 11	Oct 25

*New time dealings may take place from two business days earlier.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
3024.8 -12.2	3471.5 -4.8	1506.43 -4.96

[illegible]

Setback for drug sector

DRUG SECTOR stocks were held back by a US press article giving an outline of the proposed Clinton health reforms.

The draft document outlines plans to halve the planned growth in health spending by the end of the decade, according to a report in the Wall Street Journal. Most of the reductions are expected to come from market competition rather than from government imposed price cuts.

Share prices of the big UK pharmaceutical companies operating in the US jumped a few weeks ago when it appeared that President Clinton's administration would not impose drug price cuts. Yesterday, analysts were reminded that the US climate for pharmaceuticals companies had changed and costs will be brought down.

Glaxo, largest of the UK health multinationals, faced additional pressure ahead of a meeting by the US Food and Drug Administration to discuss ways of licensing asthma inhalers. Glaxo, which makes and sells the Ventalin treatment, fell 26 at one stage and closed 17 off at 623p.

SmithKline Beecham, which faces problems with over-the-counter licensing in the US for a version of Tagamet, its anti-ulcer product, slipped 13 to 404p and Wellcome weakened 9 to 723p.

Medeva, which has applied to market a generic asthma product, closed marginally up at 112p.

Ferranti hit

Troubled Ferranti dived 3¾ to 8¼p, or nearly 30 per cent, in hefty trade of 22m after the board of the electronics company said the value of net assets had fallen to less than half the share capital. The company has convened an egm next month to discuss the crisis.

Analysts said that a break-up of the group was now highly likely, with GEC being touted as an obvious candidate to take on some of its contracts, which include a lucrative deal with the United Arab Emirates. Ferranti's sonar technology operations would also be of particular interest, one analyst said. A full takeover is considered unlikely because of Ferranti's debt obligations. The market is forecasting losses of around £28m for the current year.

Inchcape tumbles

International trading group Inchcape tumbled 28 to 538p to register the day's biggest drop in the FT-SE 100 after it reported interim results at the bottom end of market expectations, leaving analysts to downgrade full-year forecasts.

Profits rose from £117.1m to £130.9m, but as well as being less than hoped for by the market were accompanied by a statement saying market conditions remained tough. Investors were also disappointed by the slight improvement in the dividend and analysts moved to downgrade full-year figures.

The list of reductions included that from BZW, where Mr Nyran Scott–Malden cut his full-year figure by £11m to £277m excluding exceptionals. However, he remains positive about the company and said: "The results were disappointing but the fundamentals remain intact."

Airtours placing

A large placing of shares by the directors of Airtours weakened the shares, although a bullish trading statement accompanying the announcement limited the decline. Hoare Govett, the company's newly-appointed broker, placed 5.1m shares with institutional clients at 408p. The move takes directors' total holdings in the company from around 47 per cent to 42.4. Airtours said that the sale was designed to widen the shareholder base of the company and improve liquidity. The shares lost 6 to 409p.

Airtours said that its full year results "will not disappoint the market", indicating that it is likely to beat current forecasts. Bookings for summer 1993 are 20 per cent ahead of the previous year, the company added. Hoare Govett yesterday upgraded its profit forecast by some 5 per cent to £43m for the current year.

However, few other brokers followed suit. One leisure analyst said that Airtours was currently trading at the top of its market rating – which in line with other holiday companies is at a substantial discount to the market – and was unlikely to attract further upward revisions in market forecasts. He added that Airtours positive trading performance had been largely discounted in the share price.

A mixed performance by Whitbread shares provided the focus of interest in a drinks sector largely overshadowed by tough UK trading conditions reported by Fosters, the giant Australian brewer.

Whitbread responded to further speculation that the non-voting 'B' shares would be enfranchised at the group's results due in November. The B's jumped 125 to 1325p, while the A's, which would be diluted should Whitbread restructure, slipped 11 to 538p.

Grand Metropolitan was one of the few bright spots, where continued expectations of the sale of its Chef & Brewer group of restaurants and pubs were being felt. The shares gained 5 to 430p. Guinness weakened slighly following Inchcape's report of a poor Japanese market. The shares lost 5 to 473p.

Initially disappointing results from Dalgety recovered on consideration, together with its continuing yield attractions. The shares closed a penny off at 490p, after 480p.

Nervousness ahead of Thursday's results left United Biscuits off 7 at 359p.

Thorn EMI recovered from last week's profits warning, with Hoare Govett also recommending the stock. The shares climbed 12 to 983p.

Press reports of an unprecedented demand for Mercury One-2-One handsets, launched in a blaze of publicity last week, hurt Vodafone, the company's cellular rival. Vodafone shares gave up 9 to 484p.

Water and electricity stocks were again in demand on yield considerations, with UBS also said to be strongly recommending selected stocks. Among those gaining ground in the Recs, Midlands put on 11 to 560p and Yorkshire the same to 585p. In waters, North West added 4 to 530p.

Shares in Kwik-Fit were wanted ahead of figures on Thursday and they firmed 6 to 169p. The day's biggest turnover – 24.3m shares – was recorded in engineering group Babcock International, whose shares fell sharply last week following a profits warning. Bargain hunters were out in force yesterday and the shares bounced 4 to 33¾p.

Last week's poor results from P&O continued to exact a toll and the shares gave up another 14 to 597p, as 2m shares were traded.

Shares in international trading group Lonrho hardened ½ to 119½p, on reports, confirmed after the market close, that it and the Government of Ghana were to seek a listing on the Ghana and London market for Ashanti Goldfields Corporation, in which Lonrho has a 45 per cent stake.

Shell Transport, the UK arm of the Royal Dutch/Shell Group, rose 10½ to 664p as investors switched into the stock for the dividend benefits. The Dutch arm, Royal Dutch Petroleum went xd yesterday and income buyers were selling the shares to buy Shell Transport, which trades xd from Monday.

International conference organiser Blenheim fell 30 at one stage on highly critical comment in the press. However, 300p tends to provide a floor for the share price and once it hit that level it recovered to close 10 off at 318p.

Shares in Invesco, the fund manager which managed a proportion of Mirror Group pensions, fell 14 to 164p on weekend comment that there might be more legal claims in the offing from the Trustees of the Mirror Group Newspapers Pension Scheme. The fund said yesterday it was "surprised and outraged" to read reports of the possibility of further claims.

Reuters Holdings was up on the eve of its seminar to New York analysts and a reiterated buy from S.G. Warburg. The shares added 11 at 1566p.

Big internationally traded stocks offering a solid yield continued to outperform, with Hanson closing firmer at 252¼p in active trade of 9.1m shares and ICI rising11½ to 728p.

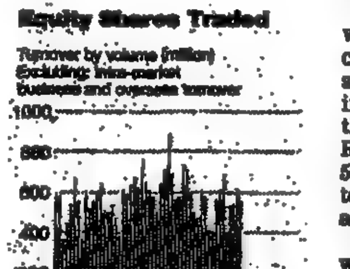
MARKET REPORTERS:
Christopher Price,
Peter John,
Joel Kibazo.

■ Other statistics, Page 24

FT-A All-Share Index

Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



Source: Datastream

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (156).
BRITISH FUNDS (17) OTHER FIXED INTEREST (3) AMERICANS (2) Citicorp, Morgan (JP), BANKS (1) Ryl. Bk. Of Scotland, BREWERS (1) Wetherspoon (JD), BLDG MATLS (6) Helton, Heywood Williams, Do Cv. Pf., SWP, Sharpe & Fisher, BUSINESS SERVS (2) Brit. Fittings, CRT, CHEMS (3) Croda, Halstead (J), Leigh Intrs., CONGLOMERATES (3) AGA, Cannon St., Ropner, CONTG & CONSTRCN (11) Avonside, CALA, Countryside, Crest Nicholson, Cussins, Green (E), Laing (J), Do N/V, Prowting, Severfield-Reeve, Sheriff, ELECTRICALS (2) Ericsson (LM), Scholes, ELECTRICITY (15) East Midlands, Eastern, London, Manweb, Midlands, Natl. Power, Northern, Northern Ire., Norweb, PowerGen, Scott. Hydro, Seeboard, Sth. Western, Southern, Yorks., ELECTRONICS (4) Electron Hse., Indl. Control Servs., Molynx, Unitech, ENG GEN (2) Crabtree, Hall, FOOD MANUF (1) Linton Park, FOOD RETAILING (1) Farepak, HEALTH & HSEHOLD (1) [illegible] [illegible]

[illegible]

FINANCIAL TIMES EQUITY INDICES

	Sep 13	Sep 10	Sep 9	Sep 8	Sep 7	Year ago	*High	*Low
Ordinary share	2354.7	2365.3	2360.7	2372.8	2379.7	1775.4	2414.2	2124.7
Ord. div. yield	3.95	3.94	3.91	3.90	3.90	5.06	4.62	3.82
Earning yld % full	4.66	4.65	4.61	4.58	4.58	7.27	6.38	4.51
P/E ratio net	27.42	27.48	27.70	27.78	27.88	17.42	28.30	19.40
P/E ratio nil	25.31	25.36	25.58	25.66	25.75	16.15	26.14	18.14
Gold Mines	151.3	[illegible]	155.1	149.3	170.8	[illegible]	202.2	90.0

*for 1993. Ordinary share index since compilation: high 2414.2 31/8/93 - low 49.4 26/6/40
Gold Mines index since compilation: high 734.7 15/2/83 - low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2369.5	2367.5	2364.7	2358.5	2359.8	2357.1	2358.7	2355.7	2350.5	2370.2	2350.5

Volume	Sep 13	Sep 10	Sep 9	Sep 8	Sep 7	Year ago
SEAQ Bargains	30,980	27,318	27,757	25,882	28,855	24,614
[illegible]						

London report and latest Share Index Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

TECHNICAL trading in the derivatives sector ahead of Friday's expiry of both the September Footsie future and the index options brought a sharp decline in the former, sending it to close at a discount to cash, writes Joel Kibazo.

Traders in the September contract on the FT-SE had indicated at the outset that "stop loss" orders were to be the dominant factor this week. Having opened strongly at 3,047, on the back of Friday's strong Wall Street, September briefly advanced to 3,052 before it succumbed to a selling wave that saw it fall to 3,028.

The downward trend continued throughout the session on fears that arbitrageurs holding large cash positions might dump stock playing a part in depressing sentiment. September not only pulled the cash market lower but was soon trading at a discount to cash.

It recovered from the day's low of 3,016 to end the session at 3,020, at a slight discount to the underlying cash market. The rolling forward of positions from September to the December contract once again boosted volume. Some 11,437 lots were traded in the near month contract and December saw business of 5,051 lots.

Volume in the traded options recovered from Friday's poor level reaching 30,012 contracts. The FT-SE 100 option accounted for half of the day's business with a total of 15,479 lots traded. Lonrho was the busiest stock option at 1,700 contracts.

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]

Continued on next page

CROSSWORD

No.8,253 Set by QUARK

ACROSS

1 Postpone and cause one to lose interest? (3,3)
4 I dabbled in variety, performed impromptu (2-6)
9 Infer Verdi's English? Not so! (6)
10 It's fair to hit the ball up, though this could be damaged (8)
11 Flight goggles, we hear (6)
12 One at the edge of lake after fighting caution (8)
13 Child's drink (3)
14, 17 News so tainted, upsetting. In despair of finding solution? (2,4,4,3)
21, 26 Fast asleep, so no earthly good? (4,2,3,5)
25 Plant right out in flat piece of land (3)
26 See 21
27 Privilege title for certain judges (6)
28 Secure money for the event of outstanding moment (8)
29 Ring a power unit to get return for capital (6)
30 As the crow flies? Exactly (8)
31 Inscription on coin edge with extremities of Latin blurred (6)

DOWN

1 Base of the foot assimilating electric shock treatment (8)
2 One in the ring rushed around. Bustling activity? Right (8)
3 Used to lower temperature of a small number after nervous excitement (8)
5 Dogmatic statement by kid at end of test perhaps (6)
6 Embedded in the custodial niceties arising (6)
7 He sounds well in the brass (6)
8 Don't fancy 1st and 2nd in Derby trial? (6)
12 Suit could be crushed (7)
15 Student leaves deposit to take examination (3)
16 It's in addition to name in advert (3)
18 Banished one from tee – roped around? (8)
19 Recommend a Scottish barrister (8)
20 Chap tucking into fruit is one who's fond of eating (8)
22 Unemotional type initially in sound environment (6)
23 Note? Sounds like a singer (6)
24 Class I caught making kind of acid (6)
25 It's for all in display of flowers (6)

Solution 8,252

JOTTER PAD

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or –	1993 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs		16⅞xd	—	20¼	15⅝	14,175	2.7
Allegheny & W	♥	490p	–10	722p	389p	296.7	4.1
Amdahl		322p	+28	591p	294p	381.6	1.0
Amer Cyanamid		34⅝	+½	38⅝	31⅛	3,111	3.4
Amer Express		21⅞xd	+⅛	25⅞	14⅞	10,497	3.1
Amer T & T		39⅛xd	–⅛	43¾	33⅝	52,639	2.3
Ameritech		57	+⅛	58½	46	24,998	4.4
Anheuser-Busch		30⅞	–⅛	41¼	30⅛	8,581	2.9
BankAmerica		31½xd	+⅛	38⅛	27⅝	11,199	3.0
Bankers NY		53⅞xd	+⅛	64⅝	42⅝	4,319	3.9
Bell Atlantic		41⅝	+⅛	42⅞	32¼	17,974	4.3
BellSouth		39½	+⅛	39⅝	32⅞	19,813	4.7
Bethlehem Steel	♥	8¾xd	+⅛	13⅝	8½	792.8	–
Bowater		1230pxd	+19	1662p	1211p	445.7	3.3
CPC		28¼xd	—	34⅝	26	4,354	3.0
California Engy		1138p	—	1478p	1088p	207.2	–
Chase Manhattan		23⅞xd	+⅛	24½	17⅞	3,678	3.4
Chrysler		28½xd	+⅛	32⅝	21¼	8,346	1.4
Citicorp		22⅞xd	+⅛	22⅞	13⅞	8,384	–
Colgate-Palm		33⅛xd	+⅛	45⅝	32	5,338	2.9
Cont'l Bank		1664p	+34	1877p	1278p	1,681	2.4
Dana		35⅞xd	+⅛	37⅞	28⅞	1,815	3.1
Data General		579p	+14	951p	527p	159.8	–
Decora Inds	♥	119p	—	146p	104p	–	–
Dun & Brad		39	–⅛	42⅝	37⅛	6,954	4.2
Eaton		31¾	—	33⅞	25⅞	2,209	2.5
Echlin		18¼xd	+⅛	20½	15⅞	1,853	2.8
FPL		26xd	+¼	27⅝	23¼	4,723	6.4
Ford Motor		34½xd	+¼	38½	28⅛	16,973	1.9
Gen Elect		62¼xd	+⅛	67⅞	53⅝	63,163	2.7
General Host	♥	458p	–10	723p	456p	–	5.2
Gillette		34½xd	+⅛	42⅝	31⅞	7,604	1.6
Hasbro		20⅞	—	28⅞	20⅞	1,819	0.8
Honeywell		22⅞xd	–⅛	28½	20⅞	3,126	2.6
Houston Inds		30	–¼	33⅝	28¼	3,885	6.7
Ingersoll-Rand		25xd	+⅛	25⅝	19⅝	2,624	1.9
Lockheed		39⅞	+⅛	45⅛	35⅛	2,472	3.6
Lowe's		2641p	–1	2748p	1573p	1,853	0.6
Malvy Technology		285p	+3	330p	127p	–	–
Merrill Lynch		62⅞xd	+⅛	65¼	37	6,673	1.5
Morgan (JP)		50⅞xd	+⅛	50⅞	38⅛	9,748	3.2
Morris (Philip)		30⅞xd	—	52⅝	28	27,067	5.7
NYNEX		61⅛	+1¼	64⅝	52¼	12,676	5.1
Pall		12⅞	–⅛	15	10⅞	1,435	1.7
Pennzoil		41⅞xd	–⅛	47½	31⅞	1,706	4.8
Quaker Oats		45⅞xd	+1⅛	50⅞	39⅛	3,255	3.1
Questar		378p	–18	687p	491½p	35.7	–
Rockwell		22⅞xd	—	24⅛	18⅛	5,030	2.9
Rep NY		34½xd	+⅛	37⅛	29⅛	1,799	2.1
Sears, Roebuck		38½xd	+⅛	38⅛	18⅛	9,482	2.9
Sthwestern Bell	h	29⅞	+⅛	30½	23½	17,876	3.4
Sun Co		18xd	+⅛	21⅛	14⅛	1,913	6.7
Tenneco		34⅝xd	+1⅛	36¼	25½	5,843	3.1
Texaco		42⅝xd	+1	44¼	37⅝	11,029	5.0
Time Warner		27¼xd	+½	27½	18⅝	10,634	0.8
Unilab	♥	434p	+6	509p	358p	197.6	–
US West		30	+¼	31⅛	24⅛	12,433	4.8
Varity		2452p	+39	2579p	1686p	741.5	–
WMX Technologies		19⅞xd	+⅛	27⅛	19⅞	9,718	2.0
Whirlpool		4109pxd	+33	4577p	2824p	2,872	2.0
Woolworth	♥	18⅛	—	21½	16⅞	2,158	4.7

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICALS - Cont.

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1993 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scot Asian Pfg	♣	220	-1	229	136	–	231.4	4.6
Warrants		503	—	505	225	–	–	–
Scot East	♣†□	78½xd	-½	81½	63½	2.4	89.1	11.9
Scottish Inv	♣†□	218	+1	222	183	2.8	249.4	12.6
Warrants	□	67½	+½	70½	38	–	–	–
Scot Mortgage	♣□	220½	-½	225	178	2.3	240.0	8.1
Scot National Inc	♣□	89½	—	109	83	8.5	–	–
Cap	□	31	—	35	16	–	94.7	67.3
Stepped Pf		158	+½	158½	150¾	4.9	–	–
Zero Div Pf		231	+½	231½	207	–	–	–
Warrants		2½	—	5	2½	–	–	–
Scot Value	†a□	95	—	95	71	2.4	94.4	0.8
Sec Alliance	♣	1548	—	1592	1390	3.2	1677.0	7.8
Second Consld	□	184	—	189	88	–	213.7	14.2
Second HGSC	□	106	—	108	101	–	–	–
Second Market	♣	392	—	393	256	0.6	412.6	5.1
Sec Tst Scot	♣□	85½	—	91	74½	4.8	87.6	2.3
Select Assets	□	154	—	157	100½	1.0	178.2	13.6
Eq Ind Sart		149	—	150	128	3.8	–	–
Eq Ind Sarli		149	—	150	128	3.6	–	–
SHIRESCOT	♣u	140	—	149	104	4.7	142.7	1.9
Shires	♣M	280½	—	286	231	7.5	281.1	0.2
Siam Select		146	-1	158	97	0.9	161.5	9.9
Warrants		47	—	48	15	–	–	–
Smaller Cos	□	133	—	135	78	2.5	128.3	-3.8
Warrants		57	—	57	14	–	–	–
Sphere Inc	□	33¼	+¼	35	14	[illegible]	42.1	22.8
Zero Div Pf		92	+½	92	80¾	–	–	–
Units		885	—	885	785	–	–	–
Sandt		85	—	85	38	1.8	101.7	8.6
TR City of Lon	□	149½	-½	154	126	4.8	141.5	-6.0
TR Euro Growth	♣□	119	—	125	76	1.8	120.2	1.0
Pfg Sub		68	—	68	27	2.5	–	–
TR Far East Inc	♣†□	154	—	164	112	3.7	150.4	-2.0
Warrants		49½	-½	57½	22	–	–	–
TR High Inc		132	+1	133	102	5.7	126.2	-4.2
Sub		37	—	37	25	5.3	–	–
TR Pacific	♣□	158	—	168	110	0.3	158.3	0.8
TR Prop	♣□	30½	—	32	17	3.7	34.8	12.4
TR Smaller	♣M□	184½	-1½	188	146	2.6	195.3	5.3
TR Technology	♣□	98	—	101	47	2.2	231.7	57.9
Units		2650	—	2650	2010	1.4	2715.5	2.4
Stepped Pf		143	+½	143	111½	5.3	–	–
Zero Pf		228½	+½	224½	200½	–	–	–
Temple Bar	†♣□	330	+1	348	283	5.0	341.8	3.4
Templeton Em	□	320	-4	341	218	0.7	305.3	-4.6
Warrants		194	-8	209	100	–	–	–
Thompson Clive		182	—	182	119	2.6	205.5	11.4
Thornton Asian	♣□	93	-½	97	69	0.7	107.7	13.7
Warrants		18½	—	20	7	–	–	–

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

	Notes	Price	+ or -	1993 high	low	Mkt Cap£m	Yld Gr's
Europa Mins	I€□	38	—	42	18	10.9	–
Glencar Expl I£	‡‡	12	—	12	5	2.22	–
Greenwich Res	♣□	14	—	22¼	5	10.9	–
Hanslo Gold C$		58½	-½	59½	23½	644.3	1.6
Jersala West I£	‡‡□	42	—	67	31	21.1	–
Kells Mins I£	‡‡	11	—	14	5	0.27	–
Kenmare	♣□	8½	—	13½	6	8.76	–
Malinga Res.		10½	-½	25½	7½	1.18	–
Navan Res I£	♣	69	—	102	25	16.3	–
5pc Ln Notes		92½	—	98¼	25	16.7	–
Oryx Gold		72½	—	78½	47	–	–
‡‡Ovoca Res I£		8	—	8	3½	0.58	–
RTZ	♣†M□	703	-10	746	607	7,472	3.8

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ☆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- ‖ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣ . Ring 081 643 7181 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT3185. [If calling from outside UK, dial +44 81 643 7181 or fax +44 81 770 3822] Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (¥) - 0001 to 1100 hours; (‡) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (▲) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF 081-663 3003						
European Trust	5	56.19	58.30	59.80	+0.16	1.65
Far Eastern Tst	6	65.60	67.73xd	72.05	-0.37	0.32
Smaller Cos	5	169.4	169.4xd	180.1	-5.5	1.58
Smith & Williamson Unit Tst Mgrs (1700)F						
1 Riding House St, London W1A 3AS 071-637 5377						
S & W American $	5	264.5	264.9	280.3	+0.2	0.84
S & W Capital	3	123.6	123.8	132.4	+0.3	1.45
S & W Cash $	0	102.06	102.06	102.06	+0.01	5.39
S & W European	5	120.4	120.5	127.4	+0.3	0.84
S & W Far Eastern	5	159.4	160.1	169.4	-0.7	0.00
S & W Growth	5	132.8	134.5	142.3	+0.2	1.45
S & W Income	5	121.8	123.0xd	130.2	+0.7	4.52
S & W Magnum	5	130.3	130.3	139.8	+0.4	1.40
S & W Smlr Socs	5	341.4	346.4	366.5	+0.4	0.55
S & W Thoroughbred	5	150.6	152.0xd	160.8	+0.4	1.35
Sovereign Unit Tst Mngrs Ltd (1000)F						
12 Christchurch Rd, Bournemouth 0202 298422						
Cash	1	50.16	50.16	50.66	+0.01	5.9
Comnd Pr'ference	5½	58.67	58.94xd	62.58	+0.19	7.5
Gilt	5½	55.51	55.74xd	58.91	-	3.5
European Growth	5½	63.20	63.67	67.50	-0.11	2.6
Income	5½	58.22	58.57	62.44	+0.14	5.4
Intl Growth	5½	85.25	85.50	91.52	-0.10	2.7
Managed	5½	73.41	74.28	79.17	-0.05	3.4
UK Growth	5½	59.06	59.70xd	63.67	+0.04	4.1
Standard Life Tst Mgmt Ltd (0730)H						
3 George St, Edinburgh EH2 2XZ 0800 393777						
Managed Acc	5¼	46.69	46.69	49.67	+0.1	1.45
UK Equity Gth Acc	5¼	63.74	64.87	68.93	+0.1	1.09
[illegible]						

[illegible]

INSURANCES

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Providence Capital Life Assc. Co Ltd - Contd.

Alpha Pension Funds

	Bid Price	Offer Price	+ or -	Yield Gross
UK Alpha	242.6		—	-
US Alpha	120.5		—	-
Gilt Alpha	91.2		—	-
Gold Alpha	85.3		—	-
Japan Alpha	47.1		—	-
US Dollar Alpha	73.8		—	-
Yen Alpha	80.4		—	-
DM Alpha	89.9		—	-
European Alpha	84.2		—	-

Provident Life Assoc Ltd

Provident Way, Basingstoke RG21 2SZ 0256 470707

Gold Range (Pensions)

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Fund	167.3		+0.4	-

Provident Mutual Life Assc. Assn.

6 Hills Way Stevenage Herts SG1 2ST 0438 732000

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Ord	437.5	460.5	-0.2	-
Managed Init	307.0	323.2	-0.2	-
Equity Ord	659.4	689.9	-1.5	-
Equity Init	459.9	484.1	-1.3	-
Index Linked Gilt Ord	205.5	216.3	+0.9	-
Index Linked Gilt Init	150.6	158.5	+0.6	-
Overseas Equity Ord	352.2	370.7	+0.6	-
Overseas Equity Init	247.2	260.2	+0.4	-
Property Ord	233.5	245.8	+0.1	-
Property Init	163.9	172.5	+0.1	-
Fixed Interest Ord	280.2	294.9	+0.4	-
Fixed Interest Init	198.6	208.9	+0.2	-
Deposit Ord	198.4	208.8	+0.1	-
Deposit Init	139.2	146.5	—	-
Pension Funds				
Managed Ord	584.7	614.8	-0.4	-
Managed Init	409.9	431.5	-0.3	-
Equity Ord	905.7	953.4	-2.6	-
Equity Init	635.8	669.1	-2	-
Pen Ind Lkd Gilt Ord	234.4	246.7	+1	-
Pen Ind Lkd Gilt Init	171.8	180.8	+0.7	-
Overseas Equity Ord	414.4	436.2	+0.9	-
Overseas Equity Init	290.8	306.1	+0.6	-

Save & Prosper Group (z)

16-22 Western Rd, Romford RM1 3LB 0708-766966

	Bid Price	Offer Price	+ or -	Yield Gross
A.G. Bond Fd	140.5	148.7	-0.3	-
Bal Inv Fd	699.0	738.7	+0.8	-
Deposit Fd†	353.6	374.2	—	-
Directors' Portfolio	78.8	81.3	-0.4	-
Equity Pens Fd	178.4	188.7	-0.1	-
European Mngd Fd	61.0	64.6	—	-
Gilt Fd	815.1	849.1	+0.8	-
Gilt Pens Fd	141.8	149.9	+0.2	-
Global Equity Fd	218.1	228.7	+0.1	-
Global Eq Pens Fd	205.3	217.3	+0.1	-
High Int Pens Fd†	129.4	137.0	—	-
Japanese Mngd Fd	74.5	78.9	+0.1	-
Managed Income Fd	50.5	53.5	+0.1	4.82
Man Pens Fd	179.0	189.5	+0.2	-
North American Mngd Fd	66.4	70.3	+0.5	-
Pacific Mngd Fd	67.7	71.7	-0.2	-
Property Fd*	89.4	94.7	—	-
Prop Pens Fd*	114.7	121.4	—	-
Pension Linked Managed	205.6	217.6	—	-
UK Capital Portfolio	58.4	61.9	-0.3	-
UK Managed Gth Fd	57.0	60.4	+0.1	-

†Weekly dealings. *Fortnightly dealings

Scottish Amicable

150 St Vincent St, Glasgow 041-248 2323

Life Funds (First Series)

Sun Alliance Group - Contd.

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

Royal Skandia Life Assurance Ltd (z)

Butterfield Fund Mngrs (Guernsey) Ltd

Merrill Lynch Guernsey

Morgan Grenfell Probanda Plc

OFFSHORE INSURANCES

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

MANAGEMENT SERVICES

ISLE OF MAN (REGULATED)(**)

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (REGULATED)(**)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

D-Mark down on profit-taking

THE D-MARK yesterday lost some of the ground it had made against the dollar and European currencies in recent days, as dealers took profits, *writes James Blitz.*

The D-Mark's move down yesterday was sharp: the currency lost nearly 1¼ pfennigs against the D-Mark to close at DM1.6110. Against the French franc it lost nearly 3 centimes to close at FFr3.482.

However, few analysts believe that there has been any significant change to the market's view that the D-Mark is set on the path of short term appreciation. Yesterday's move against the dollar was accompanied by no new data in the US. Instead, several dealers said that they had taken profits after the recent powerful D-Mark moves in currency markets.

"These moves do not in any way change our short term views about a strong D-Mark," said Mr Marc Hendriks, head of international interest rate research at Swiss Banking Corporation in London. "There is some substantial economic data coming up this week, and traders have just been clearing out their positions before that."

The German currency's weakness was felt across the board in Europe. The Danish krone strengthened to close at around DKr4.10 to the D-Mark, while the peseta broke through the Pta80 level, closing at Pta79.28 from a previous Pta80.89.

Most striking of all were the appreciations in the Belgian franc and Portuguese escudo, both of whose central banks cut interest rates. The Belgian franc closed at BFr21.23 from a previous BFr21.47 and the Escudo at Es101.58 from a previous Es102.38.

Sterling was one of the few currencies to lose more ground against the D-Mark, despite data showing that the prices of finished manufactured goods in the UK had nudged only marginally higher in August.

Dealers suggested that sterling may have suffered from the continuing need of European central banks to acquire D-Marks for pounds so that they can pay the Bundesbank for recent intervention. Sterling closed at DM2.4750, ¼ of a pfennig down on the day.

Yesterday's move in the dollar/D-Mark rate was echoed by another strong performance from the dollar against the yen. The US currency closed at Y106.25 from a previous Y104.75.

Dealers continue to think that the yen will be the focal point of this week's trading. Today brings the Japanese trade data for August. This should show a modest fall in the size of the surplus from the previous month: with a consensus forecast of a $7.0bn surplus from a previous $11.8bn. If the surplus is even smaller, it could add to downward pressure on the yen.

All eyes are also focused on the economic stimulus package due to be unveiled in Japan on Thursday. A significant stimulus appears to have been well priced in by dealers, as has some easing in rates.

£ IN NEW YORK

Sep 13	Latest	Previous Close
£ Spot	1.5425-1.5435	1.5515 1.5520
1 month	0.37-0.36pm	0.37 0.35pm
3 months	1.05-1.03pm	1.06 1.03pm
12 months	3.25-3.18pm	3.17 3.07pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Sep 13	Previous
8.30 am	81.5	81.5
9.00 am	81.5	81.4
10.00 am	81.4	81.6
11.00 am	81.5	81.5
Noon	81.5	81.4
1.00 pm	81.5	81.4
2.00 pm	81.6	81.3
3.00 pm	81.5	81.3
4.00 pm	81.3	81.3

CURRENCY RATES

Sep 13	Bank & rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.919029	0.792806
U S Dollar	3.00	1.41944	1.19529
Canadian $	4.59	1.86660	1.57610
Austrian Sch	5.75	16.0510	13.4904
Belgian Franc	8.50	48.7436	40.0187
Danish Krone	9.25	9.41714	7.90321
D-Mark	6.25	2.28246	1.91704
Dutch Guilder	5.50	2.56280	2.15342
French Franc	-	8.01558	6.70035
Italian Lira	8.5	2196.41	1833.64
Japanese Yen	2.50	149.833	127.248
Norway Krone	-	9.96518	8.35182
Spanish Peseta	-	182.937	152.896
Swedish Krona	11.50	11.3260	9.37404
Swiss Franc	4.50	1.99999	1.67419
Greek Drach	19	N/A	275.515
Irish Punt	-	N/A	0.821165

& Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Sep 10

CURRENCY MOVEMENTS

Sep 13	Bank of England Index	Morgan ** Guaranty Changes %
Sterling	81.3	-28.52
U.S Dollar	64.4	-13.20
Canadian Dollar	91.0	-10.73
Austrian Schilling	114.9	+17.02
Belgian Franc	112.6	-2.66
Danish Krone	111.8	+6.07
D-Mark	125.6	+33.84
Swiss Franc	116.1	+25.69
Dutch Guilder	120.4	+22.76
French Franc	107.2	-8.82
Lira	80.0	-35.06
Yen	179.0	+121.24
Peseta	89.2	-31.62

Morgan Guaranty changes: average 1980-1982=100. Bank of England (Base Average 1985=100) **Rates are for Sep 10

OTHER CURRENCIES

Sep 13	£	$
Argentina	1.5350 - 1.5565	1.0000 - 1.0010
Australia	2.3880 - 2.3900	1.5355 - 1.5365
Brazil	[illegible] - 153.980	98.7500 - 98.7510
Finland	8.8140 - 8.8420	5.6710 - 5.6910
Greece	353.150 - 360.200	227.750 - 232.350
Hong Kong	12.0205 - 12.0335	7.7350 - 7.7360
Iran	2439.00 - 2445.00	1581.00 - 1585.00
Korea(Sth)	1240.80 - 1260.80	804.30 - 810.70
Kuwait	0.46525 - 0.46615	0.29930 - 0.29980
Luxembourg	52.70 - 52.80	34.15 - 34.25
Malaysia	3.9485 - 3.9555	2.5410 - 2.5420
Mexico	4.8370 - 4.8400	3.1105 - 3.1125
N.Zealand	2.8240 - 2.8270	1.8180 - 1.8190
Saudi Ar	5.8250 - 5.8370	3.7495 - 3.7505
Singapore	2.4805 - 2.4865	1.5965 - 1.5975
S.Af (Cm)	5.2865 - 5.2995	3.4020 - 3.4030
S.Af (Fn)	7.5805 - 7.5965	4.8780 - 4.8880
Taiwan	41.80 - 42.00	26.90 - 27.00
U.A.E.	5.7010 - 5.7160	3.6715 - 3.6735

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Sep 13	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator‡
Dutch Guilder	2.19672	2.15342	-1.97	8.41	-
D-Mark	1.94964	1.91704	-1.67	8.08	-
Spanish Peseta	154.250	152.896	-0.88	7.21	8
Irish Punt	0.808628	0.821188	1.55	4.85	-10
Portuguese Escudo	192.854	195.879	1.57	4.63	-11
Belgian Franc	40.2123	40.9187	1.76	4.44	-13
French Franc	6.53883	6.70035	2.47	3.71	-21
Danish Krone	7.43679	7.90321	6.27	0.00	-43

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
‡Indicative values only. Divergence indicators are based on 15% band limitations but do not show the 2.25% band between the Dutch Guilder and D-Mark.

POUND SPOT - FORWARD AGAINST THE POUND

Sep 13	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5410 - 1.5570	1.5420 - 1.5430	0.37-0.35cpm	2.80	1.05-1.02pm	2.68
Canada	2.0280 - 2.0490	2.0310 - 2.0320	0.31-0.21cpm	1.54	0.65-0.47pm	1.08
Netherlands	2.7775 - 2.8075	2.7875 - 2.7975	par-⅛cdis	-0.84	⅛-½dis	-0.54
Belgium	52.70 - 53.30	52.70 - 52.80	15-24cdis	-4.44	36-53dis	-3.37
Denmark	10.1900 - 10.2650	10.1850 - 10.2050	4¾-5½oredis	-5.86	11¼-13¼dis	-4.85
Ireland	1.0640 - 1.0720	1.0645 - 1.0655	0.08-0.09cdis	-0.85	0.17-0.23dis	-0.75
Germany	2.4750 - 2.4950	2.4825 - 2.4875	⅛-¼pfdis	-0.91	⅜-½dis	-0.70
Portugal	252.50 - 255.00	252.50 - 253.50	105-115cdis	-5.22	307-337dis	-5.08
Spain	196.70 - 198.30	196.85 - 197.15	67-77cdis	-4.39	197-220dis	-4.23
Italy	2363.00 - 2394.75	2370.25 - 2371.25	6-7liredis	-3.29	18-20dis	-3.21
Norway	10.7675 - 10.8775	10.7775 - 10.7875	⅛-1⅛oredis	-0.83	⅜-1¼dis	-0.39
France	8.6450 - 8.7275	8.6475 - 8.6575	⅝-1⅜cdis	-1.56	2½-3⅝dis	-1.30
Sweden	12.0500 - 12.2350	12.1075 - 12.1175	1⅛-2¼oredis	-2.04	4¾-6¼dis	-1.82
Japan	163.00 - 165.75	163.60 - 164.50	½-⅜ypm	3.20	1⅜-1¼pm	3.20
Austria	17.40 - 17.55	17.46 - 17.51	¾-1⅞grodis	-0.90	2⅞-4⅛dis	-0.84
Switzerland	2.1550 - 2.1775	2.1660 - 2.1750	⅛-⅛cpm	1.04	⅝-½pm	1.15
Ecu	1.3025 - 1.3150	1.3035 - 1.3045	0.17-0.22cdis	-1.79	0.52-0.58dis	-1.69

Commercial rates taken towards the end of London trading. Six-month forward dollar 1.85-1.80pm . 12 Month 3.25-3.18pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Sep 13	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5410 - 1.5570	1.5420 - 1.5430	0.37-0.35cpm	2.80	1.05-1.02pm	2.68
Ireland†	1.4450 - 1.4585	1.4495 - 1.4505	0.45-0.44cpm	3.72	1.29-1.24pm	3.49
Canada	1.3140 - 1.3170	1.3155 - 1.3165	0.13-0.15cdis	-1.28	0.50-0.55dis	-1.60
Netherlands	1.7930 - 1.8115	1.8100 - 1.8110	0.49-0.52cdis	-3.35	1.40-1.46dis	-3.16
Belgium	33.95 - 34.30	34.15 - 34.25	18.00-23.00cdis	-7.19	47.00-57.00dis	-6.08
Denmark	6.5700 - 6.6150	6.6100 - 6.6150	4.50-5.00orcdis	-8.62	12.10-13.05dis	-7.61
Germany	1.5990 - 1.6150	1.6105 - 1.6115	0.50-0.51pfdis	-3.76	1.39-1.41dis	-3.48
Portugal	162.55 - 164.80	163.70 - 163.80	105-110cdis	-7.88	310-325dis	-7.76
Spain	126.90 - 128.45	127.80 - 127.90	75-77cdis	-7.13	216-225dis	-6.95
Italy	1523.90 - 1543.00	1536.75 - 1537.25	7.60-7.90lirdis	-6.05	22.10-22.80dis	-5.84
Norway	6.9525 - 7.0000	6.9875 - 6.9925	1.70-2.05oredis	-3.22	5.20-5.60dis	-3.09
France	5.5680 - 5.6200	5.6075 - 5.6125	1.89-1.99cdis	-4.15	5.50-5.70dis	-3.99
Sweden	7.7775 - 7.8800	7.8500 - 7.8550	3.00-3.50oredis	-4.97	8.40-8.90dis	-4.41
Japan	105.90 - 106.70	106.20 - 106.30	0.04-0.03ypm	0.40	0.14-0.12pm	0.49
Austria	11.2275 - 11.3350	11.3250 - 11.3300	3.20-3.60grodis	-3.60	9.00-10.10dis	-3.37
Switzerland	1.3900 - 1.4090	1.4070 - 1.4080	0.19-0.23cdis	-1.76	0.52-0.57dis	-1.55
Ecu†	1.1805 - 1.1920	1.1835 - 1.1845	0.47-0.45cpm	4.66	1.31-1.29pm	4.39

Commercial rates taken towards the end of London trading. † UK, Ireland and Ecu are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency

EURO-CURRENCY INTEREST RATES

Sep 13	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	6¼ - 6⅛	6 - 5⅞	5 - 5⅞	5⅞ - 5¾	5¾ - 5⅝	6¼ - 6⅛
US Dollar	3⅛ - 3	3⅛ - 3	3⅛ - 3	3⅛ - 3⅛	3⅜ - 3¼	3½ - 3⅜
Can. Dollar	4¼ - 4	4⅜ - 4⅛	4½ - 4¼	4⅝ - 4½	4⅞ - 4¾	5⅛ - 5⅛
Dutch Guilder	6⅝ - 6⅛	6⅝ - 6⅛	6½ - 6⅜	6⅛ - 6⅛	6 - 5⅞	5⅞ - 5⅜
Swiss Franc	5 - 4⅞	5 - 4⅞	4⅞ - 4¾	4⅞ - 4⅝	4⅝ - 4½	4⅝ - 4½
D-Mark	7¼ - 7⅛	7¼ - 7	6¾ - 6⅝	6½ - 6⅜	6⅛ - 6⅛	5⅞ - 5⅝
French Franc	7¼ - 7⅛	7¼ - 7⅛	7¼ - 7⅛	7¼ - 7⅛	6⅞ - 6⅝	6¼ - 6⅛
Italian Lira	10 - 8	9⅛ - 8⅞	9⅛ - 8⅞	9⅛ - 8⅞	9 - 8⅞	8⅛ - 8
Belgian Franc	10⅛ - 9⅞	10⅛ - 9⅞	10⅛ - 9⅞	9⅞ - 9⅛	8⅞ - 8⅛	7⅛ - 7⅛
Yen	3⅛ - 3	2⅞ - 2⅞	2⅞ - 2⅞	2⅞ - 2⅞	2⅞ - 2⅞	2⅞ - 2⅞
Danish Krone	11½ - 10½	11½ - 10½	11½ - 10½	10¼ - 10¼	9⅛ - 9⅛	8½ - 8
Asian $Sing	3½ - 2⅞	3½ - 2⅞	3⅝ - 2⅞	4 - 3	4 - 3	4¼ - 3¼
Spanish Peseta	10⅝ - 10⅛	10¼ - 10	10⅛ - 9⅞	9⅞ - 9⅝	9⅞ - 9⅝	9⅝ - 9⅜
Portuguese Esc	11¼ - 10¼	11¼ - 10¼	10⅞ - 10⅜	11¼ - 10¼	11⅛ - 10¼	10¼ - 10¼

Long term Eurodollars: two years 4⅛-3⅞ per cent; three years 4⅞-4⅜ per cent; four years 4⅝-4⅜ per cent; five years 4-4⅞ per cent nominal. Short term rates are call for US Dollar and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Sep 13	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.542	2.486	164.0	8.652	2.170	2.782	2371	2.031	52.75	197.0	1.304
$	0.649	1	1.612	106.4	5.611	1.407	1.811	1538	1.317	34.21	127.8	0.846
DM	0.402	0.621	1	66.00	3.482	0.873	1.124	954.1	0.817	[illegible]	[illegible]	0.525
YEN	6.098	9.402	15.16	1000.	52.76	13.23	17.02	14457	12.38	321.6	1201	7.951
F Fr.	1.156	1.782	2.872	189.6	10.	2.508	3.227	2740	2.347	60.97	227.7	1.507
S Fr.	0.461	0.711	1.145	75.58	3.987	1	1.287	[illegible]	[illegible]	24.31	90.78	0.601
H Fl.	[illegible]	0.552	0.890	58.74	3.099	0.777	1	849.2	0.727	18.89	70.56	0.467
Lira	0.422	0.650	1.048	69.17	3.649	0.915	1.178	1000.	0.857	[illegible]	[illegible]	0.550
C $	0.492	0.759	1.224	80.75	4.260	1.068	1.375	1167	1	25.97	97.00	0.642
B Fr.	1.896	2.923	4.711	310.9	16.40	4.114	5.293	4495	3.850	100.	373.5	2.472
Pta	0.508	0.783	1.261	83.25	4.392	1.102	1.417	1204	1.031	26.78	100.	0.662
Ecu	0.767	1.183	1.908	125.8	6.635	1.664	2.141	1816	1.558	40.45	151.1	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS
£50,000 64ths of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
111	3-35	3-50	0-39	1-30
112	2-52	3-12	0-56	1-56
113	2-09	2-41	1-13	2-21
114	1-40	2-11	1-44	2-55
115	1-12	1-48	2-16	3-28
116	0-54	1-25	2-58	4-05
117	0-37	1-06	3-41	4-50
118	0-24	0-55	4-28	5-35

Estimated volume total, Calls 150 Puts 3995
Previous day's open int. Calls 23640 Puts 21520

LIFFE EURO SWISS FRANC OPTIONS
[illegible]

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
9475	0.50	0.82	0	0.01
9500	0.25	0.58	0	0.02
9525	0	0.38	0	0.05
9550	0	0.18	0.25	0.12
9575	0	0.06	0.50	0.25
9600	0	0.02	0.75	0.46
9625	0	0.01	1.00	0.70
9650	0	0	1.25	0.94

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 3020 Puts 1710

LIFFE BUND FUTURES OPTIONS
DM250,000 points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
9700	1.60	1.89	0.21	0.50
9750	1.22	1.56	0.33	0.67
9800	0.90	1.27	0.51	0.88
9850	0.64	1.01	0.75	1.12
9900	0.45	0.79	1.06	1.40
9950	0.30	0.61	1.41	1.72
1000	0.19	0.46	1.80	2.07
1005	0.12	0.34	2.23	2.45

Estimated volume total, Calls 6332 Puts 1955
Previous day's open int. Calls 104234 Puts 57963

LIFFE EUROMARK OPTIONS
DM1m points of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
9275	0.63	1.23	0	0
9300	0.38	0.98	0	0
9325	0.13	0.74	0	0.01
9350	0	0.51	0.12	0.03
9375	0	0.30	0.37	0.07
9400	0	0.16	0.62	0.18
9425	0	0.08	0.87	0.35
9450	0	0.04	1.12	0.56

Estimated volume total, Calls 1780 Puts 2060
Previous day's open int. Calls 173117 Puts 127246

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS Lira 200m 100ths of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
1130	2.58	3.57	1.37	2.66
1135	2.29	3.31	1.58	2.90
1140	2.02	3.00	1.81	3.09
1145	1.77	2.83	2.06	3.42
1150	1.54	2.61	2.33	3.70
1155	1.33	2.40	2.62	3.99
1160	1.12	2.20	2.91	4.29
1165	0.96	2.01	3.25	4.60

Estimated volume total, Calls 1535 Puts 8
Previous day's open int. Calls 19946 Puts 12717

LIFFE SHORT STERLING OPTIONS
£500,000 points of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
9350	0.55	0.87	0	0.01
9375	0.30	0.63	0	0.02
9400	0.06	0.42	0.01	0.06
9425	0.01	0.24	0.21	0.13
9450	0	0.12	0.45	0.26
9475	0	0.06	0.70	0.45
9500	0	0.02	0.95	0.66
9525	0	0.01	1.20	0.90

Estimated volume total, Calls 2383 Puts 4855
Previous day's open int. Calls 173030 Puts 109491

LONDON (LIFFE)

9% NOTIONAL BRITISH GILT *
£50,000 32nds of 100%

	Close	High	Low	Prev.
Sep	114-03	114-13	114-08	114-05
Dec	113-30	114-10	113-26	114-01

Estimated volume 27612 (42231)
Previous day's open int. 84452 (90029)

6% NOTIONAL GERMAN GOVT. BOND *
DM250,000 100ths of 100%

	Close	High	Low	Prev.
Dec	98.39	98.59	98.30	98.49
Mar	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Sep	121-30	122-02	121-15	121-18
Dec	120-20	120-22	120-03	120-06
Mar	119-12	119-14	119-04	118-31
Jun	118-03	118-11	118-03	117-29
Sep	117-09	117-12	117-05	116-27
Dec	116-15	-	-	115-15
Mar	116-06	116-06	116-06	115-24
Jun	115-03	-	-	115-03
Sep	114-16	-	-	114-16

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
Sep	0.9376	0.9460	0.9237	0.9407
Dec	0.9385	0.9464	0.9382	0.9419
Mar	0.9410	0.9425	0.9410	0.9441
Jun	0.9463	-	-	0.9463

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

[illegible]

[illegible]

OPTIONS ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls October	Calls December	Calls March	Puts October	Puts December	Puts March
121	-	2.59	-	-	0.24	0.15
122	-	1.82	-	0.07	0.45	-
123	0.65	1.17	-	0.25	0.81	0.39
124	0.21	0.72	-	0.82	1.31	-
125	0.04	0.38	2.79	-	-	-
Open Int	88,324	180,582	25,900	37,095	154,491	18,773

Estimated volume 16,245 † Total Open Interest 475,348
† All Yield & Open Interest figures are for the previous day.

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5425	1.5389	1.5322	1.5243	1.5105

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	* Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	* (in administration)	
Banco Bilbao Vizcaya	6	Girobank	6	Royal Bk of Scotland	6
Bank of Cyprus	6	●Guinness Mahon	6	●Smith & Williamson Secs	6
Bank of Ireland	6	Habib Bank AG Zurich	6	Standard Chartered	6
Bank of India	6	●Hambros Bank	6	TSB	6
Bank of Scotland	6	Heritable & Gen Inv Bk.	6	●United Bk of Kuwait	6
Barclays Bank	6	●Hill Samuel	6	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Western Trust	6
●Brown Shipley	6	Hongkong & Shanghai	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Julian Hodge Bank	6	Wimbledon & Sth West	7
Citibank NA	6	●Leopold Joseph & Sons	6	Yorkshire Bank	6
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk.	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

France holds firm

EXPECTATIONS of further cuts in French interest rates were slightly dampened yesterday after the Bank of France decided not to cut either of its main interest rates in its weekly money market operations, *writes James Blitz.*

The Bundesbank's 50 basis point easing in its discount rate last week had been seen as a reason for the French authorities to ease policy yesterday. So, too, had the franc's strong performance against the D-Mark on the currency markets yesterday morning.

UK clearing bank base lending rate 6 per cent from January 26, 1993

However, the intervention rate was left unchanged at 6.75 per cent and the five-10 day lending rate at 7.75 per cent.

Mr Adrian James, international economist at NatWest Markets in London, said the French authorities may still be concerned by the very low level of foreign exchange reserves shown up by the Bank of France's weekly report last week.

The December French franc interest rate contract fell sharply on the news that rates were unchanged. It closed at 93.89, some 11 points down from its opening level.

The story in Belgium was different, following the Belgian authorities' cut in their end-of-day interest rate from 12.25 per vent to 12.00 per cent. The December Belgian franc contract jumped 30 basis points to close at 93.05. The Portuguese authorities also eased rates, reducing their emergency lending rate from 12.375 per cent to 12.25 per cent.

In German money markets, conditions continued to be tight, partly because the Bundesbank did not help to bring call money down by providing section 17 funds.

The cost of overnight lending continued to be high, hovering around the new Lombard rate level of 7.25 per cent. this partly reflected the fact that there has been heavy lending at the Lombard rate level in the last two trading days, amounting to some DM6bn. Dealers expected the Bundesbank to add liquidity in its weekly money market operations on Wednesday.

Conditions in the sterling market were fairly easy after most of the £1.55bn shortage forecast by the Bank of England was removed in the early round. The overnight rate of lending fell a slow as 4 per cent at around lunchtime. Three month money closed at 5⅞ per cent with a spread of 1/16 per cent. The December sterling contract closed at 94.35 from 94.38.

FT LONDON INTERBANK FIXING

(11.00 a.m. Sep 13) 3 months US dollars		6 months US Dollars	
bid 3⅛	offer 3¼	bid 3⅛	offer 3⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime		Treasury Bills and Bonds			
Prime rate	6	One month	2.97	Three year	4.08
Broker loan rate	5	Two month	3.01	Five year	4.63
Fed.funds	3⅛	Three month	3.02	Seven year	4.84
Fed.funds at intervention..	-	Six month	3.15	10-year	5.24
		One year	3.29	30-year	5.86
		Two year	3.77		

Sep 13	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.00-7.25	6.70-6.80	6.60-6.70	6.45-6.55	6.25-6.35	7.25
Paris	7⅜-7⅝	7⅛-7⅜	-	7-7⅛	-	6.75
Zurich	4¾-5	4¾-4⅞	-	4⅝-4¾	-	-
Amsterdam	6.38-6.50	6.38-6.48	-	6.25-6.35	-	-
Tokyo	2⅞-3	3⅜-3⅞	-	3⅜-3⅞	-	-
Milan	9-9⅛	9-9⅛	-	8⅞-9⅛	-	-
Brussels	10⅛-10½	9¾-10	-	9⅛-9¼	-	-
Dublin	6¾-6⅞	6⅞-6⅞	6⅞-6⅞	6⅝-6¾	6⅜-6½	-

LONDON MONEY RATES

Sep 13	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	6⅝	6¼	6	5⅞	5⅞	5¾
Interbank Bid	4½	5⅞	5⅞	5⅞	5⅞	5⅝
Sterling CDs.	-	-	5⅞	5⅞	5⅞	5⅝
Local Authority Deps.	5⅛	5¾	5⅞	5⅞	5¾	5⅝
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	5¾	5⅞	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	5⅞	5⅞	5¾	5⅞
Treasury Bills (Buy)	-	-	5⅝	5⅞	5⅝	-
Bank Bills (Buy)	-	-	5¾	5⅞	5½	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs.	-	-	2.96	3.00	3.06	3.22
SDR Linked Dep. Offer	-	-	4⅞	4¼	4⅜	4½
SDR Linked Dep. Bid	-	-	4⅛	4⅛	4⅛	4
ECU Linked Dep. Offer	-	-	7⅞	7¾	7¼	6⅝
ECU Linked Dep. Bid	-	-	7⅞	7½	7	6⅜

Treasury Bills (sell): one-month 5⅞ per cent; three months 5⅛ per cent; six months 5⅛ per cent; Bank Bills (sell): one-month 5⅞ per cent; three months 5⅜ per cent; Treasury Bills; Average tender rate of discount 5.1561 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day August 31 ,1993 . Agreed rates for period Sep 26, 1993 to Oct 25, , 1993 Schemes II & III: 7.15 p.c. Reference rate for period July 31, 1993 to Aug 31 , 1993, Scheme IV&V: 5.896 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 6pc from September 1 , 1993:Bank Deposit Rate for sums at 7 days notice 5⅞ p.c. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 2¾ p.c.; one-three months 5⅛ p.c.; three-six months 5 p.c.; six-nine months 4¾ p.c.; nine-twelve months 4½ p.c.; Under £100,000 2⅞ p.c. from Jan.27, 1993. Deposits withdrawn for cash 1¼p.c.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

NOTES– Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. Compounded Annual Rate. Int Crd: Frequency at which interest is credited to the account.

WORLD STOCK MARKETS

CANADA

TORONTO

4 pm close September 13

MONTREAL

4 pm close September 13

INDICES

NEW YORK

DOW JONES

STANDARD AND POOR'S

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

CANADA TORONTO

JAPAN

TOKYO - Most Active Stocks

Monday, September 13, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	4.5m	347	+14	Oki Elec Ind	2.9m	568	+11
NKK Corp	4.2m	289	+7	Nikkatsu	2.5m	24	-1
Kobe Steel	3.5m	304	+14	Kawasaki Hvy Ind	2.9m	422	+5
Hitachi	3.3m	865	+16	Sumitomo Mtl Ind	2.2m	323	+8
Mitsubishi Hvy	3.2m	697	+16	Kawasaki Steel	2.0m	357	+8

IS THIS YOUR OWN COPY OF THE FINANCIAL TIMES?

Or do you rely on seeing someone else's? Every day the FT reports on the topics that matter to people doing business every day, in and from Europe.

We cover the latest European, U.S. and international news, and analyse the implications from a European perspective. In fact you'll find far more than finance in the FT.

No surprise then, that the Financial Times is read by over four times as many senior European businessmen and women as any other international newspaper.*

Make sure you're one of them by getting your own copy of the newspaper delivered daily to your office.

*Source EBRS 1991

To: Gillian Hart, Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt/Main, Germany. Tel +4969 156850, Tlx. 416193, Fax. +4969 5964483.

SPECIAL INTRODUCTORY SUBSCRIPTION.

TWELVE FREE ISSUES DELIVERED TO YOUR OFFICE

To: Gillian Hart, Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt/Main, Germany. Tel. +4969 156850, Tlx. 416193, Fax. +4969 5964483.

YES, I would like to subscribe to the Financial Times, and enjoy my first 12 issues free. I will allow up to 21 days before delivery of my first copy. Please enter my subscription for 12 months at the following rate*.

Austria	ÖES 5,600	France	FFR 1,990	Luxembourg	LFR 12,500	Spain	PTS 59,000
Belgium	BFR 12,500	Germany	DM 700	Netherlands	DFL 850	Sweden	SEK 2,800
Denmark	DKK 3,150	Greece**	DR 22,800	Norway	NOK 2,800	Switzerland	SFR 680
Finland	FMK 1,980	Italy	LIT 560,000	Portugal	ESC 57,000	Turkey	TL 1,850,000

☐ Bill me ☐ Charge my American Express/Diners Club/Eurocard/Visa Account. Expiry Date ______

*Currency rates are only valid for the country in which they are quoted. Subscription Prices are correct at time of going to press. ** 3 month subscription only. Prices are exclusive of VAT in all EC countries except Germany and France. Offer valid until 30th November 1993.

To subscribe to the FT in North America contact New York Tel 7524500, Fax 3082397. Far East contact Tokyo Tel 32951711, Fax 32951712

☐ Please tick here for more information about 6 and 24 month subscription rates, or rates for a country not listed opposite.

(Please specify) ______

Name ______ Title ______

Company ______ Tel ______

Address to which I would like my Financial Times delivered:

Signature ______ Date ______

No order accepted without a signature. FI

FINANCIAL TIMES

FAR MORE THAN FINANCE.

4 pm close September 13

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14⅝	11½	AAR Corp	0.48	3.7	56	286	13⅛	13	13⅛	
29⅞	13¾	A L Labs A	0.18	0.9	38	280	19⅛	18⅞	18⅞	+¼
66⅛	54⅝	AMP Inc	1.60	2.5	23	417	65⅝	65⅛	65¼	
72¾	55½	AMR			16	4168	64⅞	63¾	64¼	+1¼
3⅞	1¾	ARX			13	1063	u3½	3⅛	3½	+¼
51½	29⅞	ASA	2.00	5.2	25	690	39⅝	38½	38⅝	-1½
30¾	22⅝	Abbott Lab	0.68	2.6	16	8488	26⅛	25⅝	25⅞	-½
12⅝	9¼	Abitibi Pr	0.50	5.3	4	9	9½	9⅜	9½	+¼
15¼	8¼	Acptncein			44	141	14⅞	14	14¾	+½
36	25½	ACE Ltd	0.40	1.2		170	34	33½	33¾	-⅛
12	10¾	ACM Gvt In x	0.96	8.6		79	11¼	11⅛	11⅛	
10	9⅛	ACM GrOpp x	0.80	8.3		101	9¾	9⅝	9⅝	-⅛
9⅞	8¾	ACM Gvt Sp x	0.80	8.3		208	9⅝	9½	9⅝	
11⅝	10½	ACM Gvt Se	0.96	8.5		730	11¼	11⅛	11¼	
11⅝	9⅝	ACM Man x	1.08	9.4		260	u11⅝	11⅜	11½	
9⅜	8⅝	ACM Managd x	0.72	7.8		105	9¼	9⅛	9¼	
12⅞	7¼	Acme Clevs	0.44	4.6	12	41	9⅝	9	9⅝	+⅜
9¼	6½	Acme Elect			50	10	7⅛	7	7⅛	+¼
27⅝	18⅝	Acordia	0.44	1.6	15	203	27½	27	27	-½
16	10⅜	Acuson			32	405	11⅞	11⅝	11⅝	
21¾	19	Adams Expr	0.48	2.5	0	141	19⅝	19⅜	19⅜	-⅜
65¼	45½	Ad Micro	3.00	5.0		46	60¼	59½	59¾	-¼
32¼	17⅝	Ad Micro P	3.00	10.8	11	3994	29⅛	28¼	28⅜	-⅜
7¾	5½	Advest Grp	0.16	2.3	12	113	7⅛	7	7	-⅛
24¾	16⅛	Advo Inc	0.08	0.5	18	78	16½	16¼	16½	
49¾	41⅛	Aegon ADR	1.23	2.5	10	50	u49⅞	49½	49¾	+⅛
60½	43⅞	Aetna Li	2.76	4.7	41	1471	59¼	58⅜	58⅞	-¾
14½	11½	Afil A	0.26	1.9	29	1635	14⅛	13⅞	14	+⅛
34	26⅜	Aflac	0.40	1.2	16	432	32⅞	32¼	32⅜	-¼
22⅛	16¾	Ahmanson	0.88	4.4	8	3024	20¼	19⅞	20⅛	+⅛
7¾	3⅞	Aileen Inc			5	97	4⅛	4	4⅛	
48½	24⅞	Air Pr Chm	0.92	2.3	16	4340	41	40	40½	-½

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
57½	43	Bausch Lmb	0.88	1.9	15	2438	47½	46⅝	46⅞	-¼
32¾	21⅝	Baxter	1.00	4.7	11	19088	21⅝	d20⅞	21⅛	-⅝
29⅞	24⅜	Bay St Gas	1.42	5.0	16	56	28¾	28½	28⅝	-⅛
25	22	Bd Tr 1838	1.72	7.2		24	23⅞	23⅝	23⅞	+⅛
24⅞	15	Bear Strns	0.60	2.4	8	4080	u25⅛	24¾	24⅞	
50¼	45½	BearStPIA	2.75	5.5		11	u50¼	50	50¼	
24¼	20½	Bearings	0.64	2.6	19	24	24¼	24⅛	24¼	
25½	19¾	Beckman In	0.36	1.6	13	481	22¾	22⅜	22⅝	+⅛

Continued on next page

4 pm close September 13

NYSE COMPOSITE PRICES

Continued from previous page

- S -

1993 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
22	15½	S Anita Rt	1.36	7.8	15	187	17⅝	17⅜	17½	
20¾	14⅞	SCOR US Cp	0.32	2.0	201	162	16¼	16	16⅛	
29¾	20	SPS Techno	1.28	4.7	20	32	27½	27⅛	27⅛	+⅛
14⅞	12⅞	Sabine RR x	1.74	11.7	10	85	u14⅞	14¾	14⅞	-¼
13¾	8⅞	Safecard	0.20	1.5	13	1310	13⅞	13	13⅝	+⅛
23½	16⅞	Safeg'd Sc			9	37	20⅞	20⅝	20¾	+¼
24¾	14⅝	SafetyKln x	0.36	2.2	25	1993	16¾	16⅜	16⅜	-⅛
19¾	10⅞	Safeway			29	1678	u19¼	19	19	
4¼	2	SafewayWts				246	u4¼	4⅛	4⅛	-⅛
55	37½	StJoePaper	0.20	0.4	143	104	48⅞	48¾	48¾	-⅛
37⅞	31	StJoeL&P	1.76	4.7	15	3	37⅛	37⅛	37⅛	-¼
94	75	St Paul's	2.80	3.0	15	312	93⅜	91¾	92	+⅛
11⅜	7⅞	Salant Crp			4	22	8⅝	8½	8½	-⅞
75¾	39⅞	Sallie Mae	1.20	2.8	10	1381	45⅞	45¼	45⅝	+⅛
14¼	13	Salomon Br	0.32	2.3		589	13⅞	13¾	13¾	+⅛
51⅞	34	SalomonInc	0.64	1.2	12	1872	51⅝	51¼	51½	
27¾	23¼	SanDgo G&E	1.48	5.5	14	379	27	26¾	26⅞	+½
4⅞	3½	SantaFeEDu	0.40	8.4	47	1412	u4¾	4¼	4¾	-⅛
11⅞	9⅛	SantaFeERs	0.18	1.8	500	418	10⅛	9⅞	10	+⅞
40¾	35¾	SantaFePac	2.80	7.4	13	519	38	37¾	37⅞	+⅛
19	12¾	SantaFPac	0.10	0.5	12	2014	18⅜	18⅛	18⅜	
31⅛	21	Sara Lee	0.58	2.3	16	2613	26½	25⅝	25⅝	+⅛
51⅞	40⅛	Scana Corp	2.74	5.3	15	114	51⅞	51¼	51⅞	-¼
25⅜	21½	Scecorp	1.42	5.8	15	4409	u25¾	25¼	25½	+⅛
38⅞	23⅞	ScherarRP			23	35	29	28⅝	29	+⅛
70⅞	51¼	ScheringPl	1.80	3.0	15	3103	61⅞	59¾	60	+⅞
68⅞	21⅛	Sch'berger	1.20	1.9	24	3947	63⅝	62¾	63⅜	-1
34	16½	Schwab(C)	0.20	0.6	19	749	32¾	32¼	32¼	-⅜
7¾	5⅞	Schwitzer			44	17	7⅞	7½	7½	-⅜
37⅞	17¾	SciectAtln x	0.12	0.3	58	2080	37½	36⅞	37⅜	
13⅞	9⅛	Scotman	0.10	0.7	14	8	13½	13⅜	13½	+¼

4 pm close September 13

AMEX COMPOSITE PRICES

NASDAQ NATIONAL MARKET

4 pm close September 13

AMERICA

Dow fails to maintain the momentum

Wall Street

US equity markets lost some of the momentum they had regained at the end of last week, with the Dow Jones industrial average registering only a modest advance yesterday morning in anticipation of today's reports on consumer prices and retail sales, *writes Frank McGurty in New York.*

At 1 pm, the Dow Jones Industrial Average was 10.90 higher at 3,632.53. The more broadly based Standard & Poor's 500 was up 0.60 at 462.32, while the Amex composite slipped 1.74 to 454.32, and the Nasdaq composite shed 1.00 to 743.31. Trading volume on the NYSE was 139m shares by 1 pm.

With no significant economic news to digest, investors were looking ahead with quiet confidence to the release today of the consumer price index for August. The figures are expected to show that inflation at the retail level remains at very low levels, reinforcing the impression left by August's producer price index, released on Friday.

At the end of last week, sentiment was jolted out of the doldrums when the government reported that wholesale prices had declined by a surprising 0.6 per cent in August.

The upbeat mood carried over to yesterday's opening. Once again, equities took their cue from the bond market, where prices on the Treasury's benchmark 30-year issue continued to rise on the back of Friday's favourable inflation data and in anticpation of more of the same today.

There remains little evidence that investors see the low level of inflation as a worrying signal of persistent economic sluggishness. Nor do they appear troubled by what is expected to be a slight decline in retail sales for August.

Paramount Communications was the most actively traded stock, following an agreement by Viacom to acquire the entertainment company for $69.14 a share. On the New York stock exchange, Paramount rose $3¼ to $64⅝, with nearly 2.3m shares traded. On the Amex, Viacom's class-A voting stock was down $1 at $65.

Car issues got a lift from news that Ford Motor had made progress in its contract negotiations with the United Auto Workers. Ford shares gained $½ to $54¼. General Motors was $⅝ higher at $47⅞, while Chrysler added $⅜ to $45⅛.

The healthcare sector was an expection to the general trend, with share prices slipping on the release of further details of President Bill Clinton's reform plans. Warner-Lambert shed $¾ to $66½, Pfizer lost $½ at $60⅜, Merck was down $⅛ at $31½, Johnson & Johnson edged $⅛ lower to $38⅝, and Schering-Plough slid $⅜ to $60½.

Canada

TORONTO stocks continued their decline at midday on further weakness in golds and falling oil and gas issues.

The TSE 300 was 25.21 lower at 3,991.44. Declining issues led advances 339 to 234, with 243 stocks unchanged.

SOUTH AFRICA

THE weakening of the bullion price had a sharp effect on gold stocks as the gold index lost 62 or 4 per cent to 1,481. However, industrial stocks remained firm and the index ended just 2 down at 4,536, while the overall index was off 22 at 3,824.

De Beers eased R1.25 to R83.25 while Anglos lost 50 cents to R130.50.

Among gold stocks, Vaal Reefs slid R12 to R284 and Southvaal lost R9 to R95. Gold Fields shed R2.25 to R74.85 and Johnnies R2 to R64.

EUROPE

Individual themes influence continental trading

CONTINENTAL markets went their own ways yesterday, *writes Our Markets Staff.*

FRANKFURT was dominated by technical trading as the DAX index rose 11.13 to 1,872.57 in turnover of DM4bn.

Reviewing the equity market in its latest briefing Nikko Europe commented that last week's GDP data was taken by some as evidence that the economy had bottomed-out.

But, as Nikko noted, "the main cause of the rise was an increase in inventories as German industry restocks ahead of the upturn. When it fails to materialise there will be an unpleasant unwinding of the inventory position".

The brokers anticipate that the economy will dip in the second half and for equities to weaken.

In the market Volkswagen rose DM6.30 to DM360.80 and Daimler, which is due to release first half figures on Friday, DM7 to DM717.

There was disappointment in PARIS that the authorities had once again made no movement on lowering the intervention rate; but after falling initially to a day's low of 2,098 the CAC-40 index finally closed 10.69 higher at 2,115.07.

Turnover was low at FFr2.5bn.

Speculation over the future of UAP's chairman Mr Jean Peyrelevade, rumoured to be moving to head Crédit Lyonnais, a report denied by the insurer, boosted activity, and UAP's shares closed FFr5 higher at FFr610.

Further takeover speculation surrounding Cap Gemini Sogetti lifted the shares FFr5.20 to FFr215.70, while Lafarge Coppée was FFr1.90 higher at FFr414.00 ahead of today's announcement of details of a capital increase.

STOCKHOLM advanced in heavy trading, supported by Ericsson, which closed at an all time high, up SKr15 to SKr409, as the Affärsvärlden general index rose 10.7 to 1,285.6. Interest in the telecommunications group was reported to have largely come from overseas, and particularly from US investors.

Turnover was SKr1.5bn from Friday's SKr1.2bn.

AMSTERDAM fell slightly, with the CBS Tendency index off 0.2 at 124.3. Royal Dutch closed unchanged at Fl 183.50, but ex a dividend of Fl 3.70. KLM slipped 40 cents to Fl 35.50 on reports that merger talks with other partners of the planned new European aviation group were being delayed.

MILAN picked up after an easier start as the lira strengthened against the dollar and the Comit index finished little change, 0.04 higher at 597.55.

Rinascente rose L242 or 3.7 to L9,427 amid renewed speculation that it will be sold as part of Fiat's planned disposals in the retail and insurance sectors.

Ferruzzi again fell L44.80 or 10 per cent to L403.20 amid renewed speculative activity ahead of the restructuring programme which is due to be announced by creditor banks later this month.

ZURICH was closed for a local public holiday but shares continued their recent consolidation in thin Basle and Geneva trading and the SMI index finished 2.0 higher at 2,365.6.

MADRID was depressed by profit-taking and the general index shed 3.32 to 285.15.

Argentaria, the state-controlled bank, fell Pta270 or 4.8 per cent to Pta5,380 after the cabinet authorised the sale of a further 25 per cent stake. Banesto shed Pta65 or 2.6 per cent to Pta2,465.

BRUSSELS was led higher by some late basket buying just before the close of a restrained day's trading and the Bel-20 index finished 3.52 higher at 1,324.17.

COPENHAGEN was dragged lower amid uncertainty about the current strength of the krone and the KFX index eased 0.4 to 97.82. Among actively traded issues, GN Store Nord, a leading telecommunications group, edged DKr1 lower at DKr524 in heavy turnover of DKr16m.

OSLO picked up as electors went to the polls. The All-share index rose 8.3 to 559.25 with the return of the Labour party widely expected to be announced late last night.

VIENNA saw a strong recovery in the price of OMV, the oil group, on a broker's rerating. The shares lifted Sch24 to Sch764 as the ATX index gained 12.53 to 988.3.

ATHENS saw the general index shed 4.84 to 791.38 as a measure of stability returned to the market after the gyrations at the end of last week, and as the general election campaign got under way.

ISTANBUL was pushed higher on satisfaction over the election at the weekend of a new leader of the Social Democrat populist party which is a junior member of the coalition. According to Carnegie International analysts in London the lection of Mr Murat Karayalchin "might be expected to cement the place of the party in the government and help remove residual opposition to privatisation". The composite index advanced 606.1 or 4.7 per cent to 13,555.

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

September 13 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1359.32	1359.11	1355.56	1354.96	1354.61	1352.67	1351.66	1351.64
FT-SE Eurotrack 200	1269.09	1269.27	1269.61	1268.98	1269.93	1271.80	1274.78	1276.54

	Sep 10	Sep 9	Sep 8	Sep 7	Sep 6
FT-SE Eurotrack 100	1263.72	1265.95	1266.53	1277.38	1294.01
FT-SE Eurotrack 200	1355.64	1362.52	1363.68	1365.81	1371.90

Base value 1000 (26/10/90) Highday: 100 - 1359.72; 200 - 1277.86 Lowday: 100 - 1350.85 200 - 1268.57.

ASIA PACIFIC

Nikkei average surges to a new high for the year

Tokyo

THE NIKKEI average surged to a new high for the year on hopes of a cut in the official discount rate this week, and additional fiscal measures to support the economy, to be announced on Thursday, *writes Emiko Terazono in Tokyo.*

The 225-issue average gained 330.13, or 1.6 per cent, at 21,148.11, its first rise for six trading days. The index opened at the day's low of 20,850.09 and rose to the session's high of 21,164.12 in the afternoon.

Volume fell to 270m shares from Friday's 569m, which was largely due to trading linked to September futures and options settlements. Advances outnumbered declines by 773 to 259, with 150 issues unchanged. The Topix index of all first section stocks advanced 17.01 to 1,694.51, and in London the ISE/Nikkei 50 index was 1.13 firmer at 1,300.20.

Weekend reports that Y5,000bn worth of measures to boost the economy would be implemented, including tax cuts for housing reform, helped to lift investor confidence.

Investment trusts and tokkin funds were seen buying after the Nikkei reached the 21,000 level, while dealers also bought for their own accounts. Foreign investors were purchasers of large-capital issues.

Steel shares, which had fallen back last week on announcements of downward earnings revisions, were bought. Nippon Steel, the day's most active issue, rose Y14 to Y347, NKK Y7 to Y289 and Kobe Steel Y14 to Y304.

Housing-related issues were supported by the reports of the economic stimulus package. Daiwa House climbed Y30 to Y1,800, while Takara Standard, a kitchen and bathroom facilities maker, rose Y30 to Y1,470.

High-technology stocks were firm, Hitachi adding Y16 at Y885 and Matsushita Electric Industrial Y10 at Y1,470. However, Pioneer Electronic fell Y110 to Y2,750 on reports that a leading karaoke machine retailer had decided to switch to Sony machines from Pioneer karaoke equipment.

Sanyo Securities, which was suspended last Friday on reports that the company had sought financial assistance from its main creditors, declined by its daily limit of Y100 to Y575. Sanyo and Ministry of Finance officials last week denied the reports, but investors remained pessimistic over Sanyo's financial position.

Nippon Telegraph and Telephone shed Y3,000 to Y919,000 as investors who had bought the issue on margin in April liquidated positions. Some market participants were also discouraged by the absence of public telecommunication infrastructure investments in the government's emergency package, as had been hoped.

In Osaka, the OSE average ended 217.56 up at 22,998.55 in volume of 53.9m shares.

Roundup

HONG KONG weakened yesterday, while Manila remained strong.

HONG KONG fell 1.5 per cent on worries over the lack of progress in Sino-British talks. The Hang Seng index finished 117.48 down at 7,475.97. Turnover eased to HK$2.8bn from Friday's HK$2.9bn.

The Sino-British joint liaison group is scheduled to meet on Thursday and the next round of talks on Hong Kong's political future is planned for next week.

South China Morning Post resumed trading after being suspended for over a week as its was confirmed that Mr Robert Kuok was to buy News Corp's 34.9 per cent stake. The shares lots 50 cents to HK$4.85.

Among blue chips, HSBC fell HK$1.50 to HK$81.50, Cheung Kong shed 70 cents to HK$27.20 and Hutchison Whampoa retreated 80 cents to HK$24.

SINGAPORE made headway on strong buying of Malaysian OTC shares as the Straits Times Industrial index rose 10.72 to 2,009.51. Advances led falls by 165 to 124 after turnover of S$721.6m.

In KUALA LUMPUR itself prices were mixed, but a spate of rumours helped several speculative shares make big gains in hectic trading. The composite index was barely changed, off 0.38 at 820.36. Volume was about 800m shares, compared with Friday's 536m.

MANILA remained in record territory, the composite index adding 59.59 at 1,978.81. Turnover was 1.4bn pesos.

Gainers included San Miguel "B", up 10 pesos at 160 pesos, and Philippine National Bank, 12.50 pesos higher at 342.50.

AUSTRALIA fell back in fairly uninspired trading, with the All Ordinaries index losing 3.2 to 1,938.3. Turnover was also disappointing at A$312m.

News Corp initially added 22 cents at A$10.94 on news that it had sold its stake in South China Morning Post, before receding to close 6 cents up on balance at A$10.78.

The golds index weakened 54.8 to 1,829.8 as the bullion price continued to fall. Plutonic Resources slipped 30 cents to A$6.30, North Flinders Mines fell 28 cents to A$11.88 and Poseidon Gold lost 27 cents to A$3.57.

Foster's closed unchanged at A$1.28, off a high of A$1.31, after reporting annual figures.

NEW ZEALAND's NZSE-40 index fell 14.57 to 1,971.42 in turnover of NZ$49m, on weakness in in Carter Holt and Fletcher, whose shares both lost 6 cents to NZ$3.44 and NZ$3.36 respectively.

BOMBAY gained more ground after the stock exchange authorities eased curbs on forward sales. The BSE 30 index advanced 59.27 to 2,794.34. Associated Cement moved ahead Rp110 to Rp2,360 and Reliance Industries strengthened Rp9 to Rp271.

Bundesbank move fails to cheer bourses

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1993	Start of 1993	Start of 1993
Austria	-3.14	-0.86	+28.42	+24.51	+22.50	+25.34
Belgium	-1.89	-2.92	+24.60	+18.21	+12.00	+14.58
Denmark	-0.85	+1.78	+30.45	+30.91	+21.69	+24.51
Finland	+2.49	-3.29	+162.29	+74.86	+57.71	+61.37
France	-1.76	-1.34	+21.30	+16.91	+12.54	+15.14
Germany	-3.02	-2.31	+22.50	+20.25	+19.12	+21.87
Ireland	-1.30	-1.31	+43.51	+42.27	+24.50	+27.37
Italy	-5.55	-0.26	+80.14	+44.19	+34.93	+38.04
Netherlands	-1.30	-0.50	+27.51	+21.25	+20.12	+22.90
Norway	-3.94	-7.64	+50.88	+26.75	+22.69	+25.53
Spain	-2.33	+2.15	+41.22	+34.56	+17.75	+20.46
Sweden	-1.06	-1.72	+70.13	+27.26	+12.10	+14.69
Switzerland	-3.21	-3.91	+31.25	+15.33	+18.47	+21.20
UK	-0.62	+0.75	+34.34	+8.71	+8.71	+11.22
EUROPE	-1.75	-0.69	+33.00	+16.67	+14.30	+16.95
Australia	-0.74	+3.96	+25.52	+20.15	+10.77	+13.32
Hong Kong	+1.58	+2.61	+30.32	+36.07	+33.07	+36.14
Japan	-1.35	-0.42	+17.34	+26.94	+45.79	+49.17
Malaysia	-2.26	+9.51	+69.34	+47.95	+48.64	+52.08
New Zealand	-0.49	+7.73	+43.89	+33.04	+39.40	+42.62
Singapore	-1.37	+5.36	+49.53	+31.15	+31.59	+34.64
Canada	-3.11	-0.82	+7.01	+11.17	+5.10	+7.53
USA	+0.04	+2.46	+10.28	+5.92	+3.53	+5.92
Mexico	-0.31	+8.39	+43.06	+6.34	+4.20	+6.61
South Africa	-2.70	-4.33	+27.48	+20.96	+18.71	+21.46
WORLD INDEX	-0.91	+0.76	+19.00	+15.32	+18.02	+20.75

† Based on September 10th 1993.

By Michael Morgan

European equity markets gave a muted response to the Bundesbank's decision to cut rates last Thursday, and the week saw declines in virtually all the senior bourses.

The UBS global research team comments that the less than euphoric response to the German move reflected not just the cautious nature of the easing, but also the restrained action of the Bank of France in lowering only its five to 10-day repo rate.

Morgan Stanley's European strategists believe there is likely to be a 5 to 8 per cent correction in the Continental markets, caused by two factors: "First . . . it is not that the markets have gone too far, they have just gone too fast in August. Second, it is worrying that enthusiasm for equity markets in Europe depends solely on bullishness about interest rates."

Italy was a big loser last week on the FT-Actuaries World index, in spite of seeing a rate cut of its own.

The bourse, consolidating after its strong summer run, was overcome by worries about the prospect of imminent capital increases from a number of companies, most notably Fiat, although the group denied that it had any such plans.

Mr William Cowan of James Capel expects the current consolidation to continue in coming weeks, as the market begins to focus on a forthcoming stream of six-month figures.

He sees little room for a further reduction in Italian interest rates until the budget overcomes potential political hurdles and wins full parliamentary approval.

Norway was another large loser as it continued the consolidation that started in mid-August and business was restrained ahead of yesterday's general election. However, Bikuben Securities forecasts that further cuts in interest rates will strengthen Norwegian equities in the longer term.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY SEPTEMBER 10 1993								THURSDAY SEPTEMBER 9 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (69)	141.79	-0.7	135.71	95.23	117.80	145.38	+0.2	3.53	142.81	136.51	94.56	118.57	145.14	148.84	117.39	127.95
Austria (17)	175.67	+0.3	168.13	117.96	145.94	146.16	+0.3	1.33	175.12	167.39	115.96	145.40	145.69	180.43	131.16	152.34
Belgium (42)	152.66	+1.4	146.12	102.52	126.83	129.13	+0.1	4.44	150.57	143.93	99.69	125.01	129.03	156.76	131.19	141.27
Canada (107)	124.35	+0.0	119.02	83.51	103.30	118.36	-0.1	2.87	124.31	118.83	82.31	103.21	118.51	130.38	111.41	124.65
Denmark (32)	231.73	-0.3	221.79	155.64	192.52	207.93	-0.4	1.09	232.36	222.11	153.86	192.92	208.82	232.42	185.11	208.23
Finland (23)	112.33	+0.7	107.51	75.45	93.32	133.61	+0.4	0.78	111.55	106.63	73.87	92.62	133.09	118.56	65.50	54.05
France (97)	169.46	+0.5	162.19	113.80	140.77	149.12	+0.1	3.09	168.59	161.16	111.62	139.97	148.96	170.50	142.72	161.01
Germany (60)	126.79	-1.0	121.36	85.17	105.34	105.34	-0.9	2.00	128.01	122.37	84.77	106.28	106.28	128.77	101.59	114.75
Hong Kong (55)	301.63	+0.1	288.70	202.58	250.60	299.64	+0.1	3.32	301.46	288.16	199.60	250.30	299.44	302.14	218.82	228.12
Ireland (14)	172.94	+1.8	165.53	116.15	143.68	167.71	+1.6	3.34	169.83	162.34	112.45	141.00	165.14	173.06	129.28	151.00
Italy (70)	75.74	+0.2	72.50	50.87	62.92	87.06	-0.1	1.87	75.56	72.23	50.03	62.73	87.13	78.93	53.78	57.23
Japan (470)	156.67	-1.4	149.95	105.22	130.18	105.22	+0.0	0.79	158.96	151.94	105.25	131.99	105.25	165.91	100.75	110.32
Malaysia (69)	397.64	-1.5	380.59	267.05	330.35	389.67	-1.4	1.77	403.61	385.81	267.24	335.10	395.38	410.47	251.66	238.40
Mexico (19)	1756.82	-0.5	1681.50	1179.92	1459.56	5977.58	-0.4	0.82	1765.74	1687.86	1169.17	1466.06	6003.11	1771.56	1410.30	1213.33
Netherland (24)	186.07	+0.2	178.09	124.97	154.59	152.40	+0.1	3.55	185.77	177.58	123.01	154.25	152.24	187.18	150.39	162.09
New Zealand (13)	61.17	-0.4	58.55	41.09	50.82	58.95	-0.3	3.79	61.40	58.69	40.66	50.98	59.10	62.98	40.56	42.33
Norway (22)	172.87	+2.5	165.45	116.10	143.62	163.89	+2.1	1.61	168.68	161.24	111.69	140.06	160.50	177.31	137.71	142.91
Singapore (38)	287.26	-0.4	274.94	192.93	238.65	211.54	-0.6	1.63	288.28	275.57	190.89	239.35	212.89	290.53	207.04	191.87
South Africa (60)	179.88	-0.5	172.16	120.81	149.44	190.09	+0.0	2.74	180.73	172.76	119.67	150.06	190.01	215.29	144.72	179.30
Spain (43)	140.49	-0.3	134.46	94.36	116.71	136.28	-1.4	4.18	140.97	134.75	93.34	117.04	138.19	140.97	115.23	136.25
Sweden (36)	189.88	-0.3	181.74	127.53	157.75	220.59	-0.7	1.53	190.53	182.13	126.16	158.20	222.05	196.23	149.70	167.72
Switzerland (50)	136.97	-0.4	131.10	92.00	113.81	118.41	-0.8	1.83	137.58	131.51	91.10	114.24	119.41	138.04	108.91	114.32
United Kingdom (218)	191.70	+0.0	183.48	128.74	159.25	183.48	+0.2	3.89	191.65	183.20	126.89	159.11	183.20	191.70	162.00	179.56
USA (520)	188.65	+0.9	180.56	126.70	156.73	188.65	+0.9	2.72	186.95	178.70	123.79	155.23	186.95	189.40	175.38	171.07
Europe (748)	159.06	+0.0	152.24	106.83	132.15	145.66	-0.2	3.09	159.12	152.10	105.36	132.12	145.91	159.19	133.92	144.42
Nordic (113)	180.44	+0.0	172.70	121.19	149.91	183.17	-0.3	1.34	180.49	172.53	119.51	149.86	183.73	183.23	142.13	153.97
Pacific Basin (714)	160.95	-1.3	154.05	108.10	133.72	112.64	-0.1	1.06	163.11	155.92	108.01	135.43	112.70	168.80	105.89	114.47
Euro-Pacific (1462)	160.06	-0.8	153.20	107.49	132.97	126.27	-0.1	1.88	161.36	154.24	106.83	133.96	126.39	162.96	117.26	126.59
North America (627)	184.65	+0.9	176.74	124.03	153.44	183.88	+0.9	2.72	183.06	174.98	121.22	152.01	182.30	185.59	171.51	168.16
Europe Ex. UK (530)	138.56	-0.1	132.62	93.08	115.14	123.88	-0.4	2.56	138.66	132.55	91.83	115.15	124.36	139.43	112.51	123.16
Pacific Ex. Japan (244)	203.32	-0.5	194.60	136.57	168.93	189.91	-0.2	2.99	204.32	195.31	135.31	169.66	190.36	205.61	152.70	155.14
World Ex. US (1648)	160.04	-0.8	153.18	107.50	132.97	128.22	-0.1	1.91	161.29	154.18	106.81	133.92	128.35	162.89	118.51	127.69
World Ex. UK (1950)	166.34	-0.2	159.21	111.72	138.21	143.29	+0.3	2.03	166.62	159.27	110.33	138.36	142.88	168.50	134.22	137.73
World Ex. So. Af. (2108)	168.63	-0.1	161.40	113.26	140.10	146.53	+0.3	2.21	168.88	161.43	111.83	140.23	146.13	170.43	137.29	141.18
World Ex. Japan (1698)	176.89	+0.4	169.30	118.81	146.98	170.37	+0.4	2.85	176.12	168.35	116.63	146.25	169.68	177.11	157.47	159.10
The World Index (2168)	168.57	-0.2	161.34	113.22	140.06	146.94	+0.3	2.21	168.83	161.38	111.79	140.18	146.54	170.42	137.32	141.35

Latest prices were unavailable for this edition.